Introduced by Committee on Budget and Fiscal Review (Senators Leno (Chair), Anderson, Beall, Berryhill, Block, DeSaulnier, Emmerson, Hancock, Hill, Jackson, Monning, Price, Roth, Wright, and Wyland) Senator Liu

(Principal coauthors: Senators Block, De León, Lara, Leno, Padilla, and Steinberg)

(Coauthors: Senators Hancock, Hill, and Monning)

January 10, 2013

An act relating to the Budget Act of 2013 to amend Section 47634.1 of, to amend the heading of Article 4 (commencing with Section 2570) of Chapter 12 of Part 2 of Division 1 of Title 1 of, to amend and repeal Sections 14002.5, 42238, 42238.1, 42238.2, 42238.3, 42238.4, 42238.41, 42238.42, 42238.43, 42238.44, 42238.445, 42238.45, 42238.46, 42238.48, 42238.485, 42238.49, 42238.5, 42238.51, 42238.52, 42238.53, 42238.6, 42238.7, 42238.75, 42238.8, 42238.9, 42238.95, 42238.11, 42238.12, 42238.13, 42238.14, 42238.145, 42238.146, 42238.17, 42238.18, 42239, 42240.1, 42241.3, 42241.7, 42243.7, 47630.5, and 47633 of, to amend, repeal, and add Sections 1622, 14002, 14002.1, 14003, 14501, 33127, 41020, 41202, 42127, 46201.2, 47604.33, 47610, 47631, and 47632 of, to add Sections 2558.7, 2569, 42238.01, 42238.02, 42238.03, 42238.04, 42238.05, 42238.051, 42238.052, 42238.053, and 42238.06 to, to add Article 3 (commencing with Section 2574) to Chapter 12 of Part 2 of Division 1 of Title 1, to add Article 5 (commencing with Section 52060) to Chapter 6.1 of Part 28 of Division 4 of Title 2 of, and to repeal Article 3 (commencing with Section 2550) of Chapter 12 of Part 2 of Division 1 of Title 1 of, and to repeal Article 3.5 (commencing with Section 2560) of Chapter 12 of  $SB 69 \qquad \qquad -2-$ 

Part 2 of Division 1 of Title 1 of, the Education Code, relating to school finance.

## LEGISLATIVE COUNSEL'S DIGEST

SB 69, as amended, Committee on Budget and Fiscal Review Liu. Budget Act of 2013. School finance: new pupil funding formula.

(1) Existing law establishes the public school system in this state, and, among other things, provides for the establishment of county superintendents of schools, school districts, and charter schools throughout the state and for their provision of instruction at the public elementary and secondary schools these local educational agencies maintain. Existing law establishes a public school financing system that requires funding for county superintendents of schools and school districts to be calculated pursuant to a revenue limit, as specified, and requires funding for charter schools to be calculated pursuant to a general-purpose entitlement, except as provided, and requires the revenue limit and general-purpose entitlement to be composed of, among other things, state aid and certain local revenues.

This bill, commencing in the 2014–15 fiscal year, would revise and recast the provisions related to the public school financing system by requiring state funding for county superintendents of schools, school districts, and charter schools that previously received a general-purpose entitlement, to be calculated pursuant to a local control funding formula, as specified.

(2) Existing law requires a county board of education, a governing board of a school district, and a governing body of a charter school to annually adopt a budget, as specified.

This bill would require a county board of education, a governing board of a school district, and a governing body of a charter school that receives its funding directly, as specified, to annually adopt or revise a local control and accountability plan that aligns with the annual budget and contains certain elements and that, among other things, was developed in consultation with teachers, principals, administrators, other school personnel, parents, and pupils. By requiring county boards of education and school districts to annually adopt or revise a local control and accountability plan, the bill would impose a state-mandated local program.

(3) This bill would make conforming changes, correct cross-references, and make other nonsubstantive changes.

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(4) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2013.

Vote: majority. Appropriation: no. Fiscal committee: no-yes. State-mandated local program: no-ves.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the 2 following:
- 3 (a) The local control funding formula proposal, as specified in 4 AB 88 of the 2013–14 Regular Session, as amended April 3, 2013, attempts to increase local flexibility, make funding more equitable 6 and transparent, and devote greater resources to children who 7 come to school with greater challenges.
- (b) The Legislature supports the underlying goal expressed in 8 the local control funding formula proposal of providing additional resources to support improved educational outcomes for 10 disadvantaged pupils. However, the Legislature has concerns 12 related to a number of its provisions, in particular the inadequate 13 level of funding proposed for statewide pupil base grants. Additional concerns include, but are not limited to, proposed 14 15 concentration grants, incomplete accountability provisions, inadequate data collection, lack of structure for high school grade 16 span funding, perpetuation of historically inequitable funding allocations, and the timing for implementation of a new formula. 18

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19 (c) The local control funding formula proposal encompasses 20 scores of repeals of sections, articles, and chapters of the 21 Education Code, many of which could have unintended 22 consequences. Such repeals require more careful consideration 23 than the compressed annual Budget Act implementation timelines 24 allow.

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(d) It is the intent of the Legislature to consider a new funding formula through a funding process that affords greater opportunity for analysis, amendment, and public input on a far reaching proposal that will have lasting impacts on California schools and the pupils they serve.

SEC. 2. Section 1622 of the Education Code is amended to read:

- 1622. (a) On or before July 1 of each fiscal year, the county board of education shall adopt an annual budget for the budget year and shall file that budget with the Superintendent of Public Instruction, the county board of supervisors, and the county auditor. The budget, and supporting data, shall be maintained and made available for public review. The budget shall indicate the date, time, and location at which the county board of education held the public hearing required under Section 1620.
- (b) The Superintendent of Public Instruction shall examine the budget to determine whether it (1) complies with the standards and criteria adopted by the State Board of Education pursuant to Section 33127 for application to final local educational agency budgets, (2) allows the county office of education to meet its financial obligations during the fiscal year, and (3) is consistent with a financial plan that will enable the county office of education to satisfy its multiyear financial commitments. In addition, the Superintendent shall identify any technical corrections to the budget that must be made. On or before August 15, the Superintendent of Public Instruction shall approve or disapprove the budget and, in the event of a disapproval, transmit to the county office of education in writing his or her recommendations regarding revision of the budget and the reasons for those recommendations. For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, the Superintendent, as a condition on approval of a county office of education budget, shall not require a county office of education to project a lower level of revenue per unit of average daily attendance than it received in the 2010–11 fiscal year nor require the county superintendent to certify in writing whether or not the county office of education is able to meet its financial obligations for the two subsequent fiscal years.
- (c) On or before September 8, the county board of education shall revise the county office of education budget to reflect changes

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1 in projected income or expenditures subsequent to July 1, and to 2 include any response to the recommendations of the Superintendent 3 of Public Instruction, shall adopt the revised budget, and shall file 4 the revised budget with the Superintendent of Public Instruction, 5 the county board of supervisors, and the county auditor. Prior to 6 revising the budget, the county board of education shall hold a public hearing regarding the proposed revisions, which shall be 8 made available for public inspection not less than three working days prior to the hearing. The agenda for that hearing shall be 10 posted at least 72 hours prior to the public hearing and shall include 11 the location where the budget will be available for public 12 inspection. The revised budget, and supporting data, shall be 13 maintained and made available for public review.

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- (d) The Superintendent of Public Instruction shall examine the revised budget to determine whether it complies with the standards and criteria adopted by the State Board of Education pursuant to Section 33127 for application to final local educational agency budgets and, no later than October 8, shall approve or disapprove the revised budget. If the Superintendent of Public Instruction disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 1623. For the 2011-12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, the Superintendent, as a condition on approval of a county office of education budget, shall not require a county office of education to project a lower level of revenue per unit of average daily attendance than it received in the 2010–11 fiscal year nor require the county superintendent to certify in writing whether or not the county office of education is able to meet its financial obligations for the two subsequent fiscal years.
- (e) Notwithstanding any other provision of this section, the budget review for a county office of education shall be governed by paragraphs (1), (2), and (3) of this subdivision, rather than by subdivisions (c) and (d), if the county board of education so elects, and notifies the Superintendent of Public Instruction in writing of that decision, no later than October 31 of the immediately preceding calendar year.
- (1) In the event of the disapproval of the budget of a county office of education pursuant to subdivision (b), on or before September 8, the county superintendent of schools and the county

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board of education shall review the recommendations of the Superintendent of Public Instruction at a regularly scheduled meeting of the county board of education and respond to those recommendations. That response shall include the proposed actions to be taken, if any, as a result of those recommendations.

- (2) No later than October 8, after receiving the response required under paragraph (1), the Superintendent of Public Instruction shall review that response and either approve or disapprove the budget of the county office of education. If the Superintendent of Public Instruction disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 1623.
- (3) Not later than 45 days after the Governor signs the annual Budget Act, the county office of education shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.
- (f) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 3. Section 1622 is added to the Education Code, to read: 1622. (a) On or before July 1 of each fiscal year, the county board of education shall adopt an annual budget for the budget year and, for the 2015-16 fiscal year and each fiscal year thereafter, take action on a local control and accountability plan pursuant to Sections 52062 and 52064 and shall file the budget and local control and accountability plan with the Superintendent, the county board of supervisors, and the county auditor. The budget, the local control and accountability plan, and supporting data, shall be maintained and made available for public review. The budget shall indicate the date, time, and location at which the county board of education held the public hearing required under Section 1620. For the 2015–16 fiscal year and each fiscal year thereafter, the county board of education shall not adopt a budget before the county board of education adopts a local control and accountability plan or approves an update to an existing local control and accountability plan. The county board of education shall not adopt a budget that does not align with the local control and accountability plan that applies to the subsequent fiscal year.

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(b) (1) The Superintendent shall examine the budget to determine if it (A) complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets, (B) allows the county office of education to meet its financial obligations during the fiscal year, and (C) is consistent with a financial plan that will enable the county office of education to satisfy its multiyear financial commitments. In addition, the Superintendent shall identify any technical corrections to the budget that must be made. On or before August 15, the Superintendent shall approve or disapprove the budget and, in the event of a disapproval, transmit to the county office of education in writing his or her recommendations regarding revision of the budget and the reasons for those recommendations.

- (2) For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, the Superintendent, as a condition on approval of a county office of education budget, shall not require a county office of education to project a lower level of revenue per unit of average daily attendance than it received in the 2010–11 fiscal year nor require the county superintendent to certify in writing whether or not the county office of education is able to meet its financial obligations for the two subsequent fiscal years.
- (3) For the 2015–16 fiscal year and each fiscal year thereafter, the Superintendent shall disapprove a budget if any of the following occur:
- (A) The county board of education does not file a local control and accountability plan with the Superintendent pursuant to Sections 52062 and 52064.
- (B) If the Superintendent determines that a local control and accountability plan filed does not adhere to the template adopted by the state board pursuant to Section 52066.
- (C) If the Superintendent determines that a local control and accountability plan filed does not include all of the components identified in subdivision (a) of Section 52064.
- (D) If the Superintendent determines that the expenditures included in the budget do not reflect the costs necessary to implement the local control and accountability plan.
- (c) On or before September 8 of each fiscal year, the county board of education shall revise the county office of education

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budget to reflect changes in projected income or expenditures 1 2 subsequent to July 1, and to include any response to the 3 recommendations of the Superintendent, shall adopt the revised 4 budget, and shall file the revised budget with the Superintendent, 5 the county board of supervisors, and the county auditor. Before revising the budget, the county board of education shall hold a 6 7 public hearing regarding the proposed revisions, which shall be 8 made available for public inspection not less than three working days before the hearing. The agenda for that hearing shall be posted at least 72 hours before the public hearing and shall include 10 the location where the budget will be available for public 11 inspection. The revised budget, and supporting data, shall be 12 13 maintained and made available for public review. 14

(d) The Superintendent shall examine the revised budget to determine whether it complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets and, no later than October 8 of each fiscal year, shall approve or disapprove the revised budget. For the 2015-16 fiscal year and each fiscal year thereafter, the Superintendent shall disapprove a revised budget if the Superintendent determines that the expenditures included in the budget do not reflect the costs necessary to implement the local control and accountability plan adopted by a county board of education pursuant to Sections 52062 and 52064. If the Superintendent disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 1623. For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, the Superintendent, as a condition on approval of a county office of education budget, shall not require a county office of education to project a lower level of revenue per unit of average daily attendance than it received in the 2010-11 fiscal year nor require the county superintendent to certify in writing whether or not the county office of education is able to meet its financial obligations for the two subsequent fiscal years.

(e) Notwithstanding any other provision of this section, the budget review for a county office of education shall be governed by paragraphs (1), (2), and (3) of this subdivision, rather than by subdivisions (c) and (d), if the county board of education so elects,

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and notifies the Superintendent in writing of that decision, no later than October 31 of the immediately preceding calendar year.

- (1) In the event of the disapproval of the budget of a county office of education pursuant to subdivision (b), on or before September 8, the county superintendent of schools and the county board of education shall review the recommendations of the Superintendent at a regularly scheduled meeting of the county board of education and respond to those recommendations. That response shall include the proposed actions to be taken, if any, as a result of those recommendations.
- (2) No later than October 8, after receiving the response required under paragraph (1), the Superintendent shall review that response and either approve or disapprove the budget of the county office of education. For the 2015–16 fiscal year and each fiscal year thereafter, the Superintendent shall disapprove a budget if a county board of education does not file a local control and accountability plan with the Superintendent or if the Superintendent determines that the expenditures included in the budget adopted by the county board of education do not reflect the costs necessary to implement the local control and accountability plan. If the Superintendent disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 1623.
- (3) Not later than 45 days after the Governor signs the annual Budget Act, the county office of education shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.
  - (f) This section shall become operative on July 1, 2014.
- SEC. 4. Section 2558.7 is added to the Education Code, to read:
- 2558.7. This article shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- 36 SEC. 5. Section 2569 is added to the Education Code, to read: 37 2569. This article shall become inoperative on July 1, 2014, 38 and, as of January 1, 2015, is repealed, unless a later enacted
- 39 statute, that becomes operative on or before January 1, 2015,

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deletes or extends the dates on which it becomes inoperative and 2 is repealed. 3 SEC. 6. The heading of Article 4 (commencing with Section 4 2570) of Chapter 12 of Part 2 of Division 1 of Title 1 of the 5 Education Code is amended and renumbered to read: 6 7 Article 4.2. Allocation of Property Tax Revenues 8 9 SEC. 7. Article 3 (commencing with Section 2574) is added to 10 Chapter 12 of Part 2 of Division 1 of Title 1 of the Education Code, 11 to read: 12 13 Article 3. County Local Control Funding Formula 14 15 2574. For the 2014–15 fiscal year and for each fiscal year thereafter, the Superintendent annually shall calculate the County 16 17 Local Control Funding Formula for each county superintendent 18 of schools as follows: 19 (a) Compute a county office of education operations grant equal to the sum of each of the following amounts: 20 21 (1) \_\_\_\_\_ dollars (\$\_\_\_\_). (2) \_\_\_\_ dollars (\$\_\_\_\_) multiplied by the number of school 22 districts for which the county superintendent of schools has 23 jurisdiction pursuant to Section 1253. 24 25 (3) (A) \_\_\_\_ dollars (\$\_\_\_\_) multiplied by the number of units of countywide average daily attendance, up to a maximum of 26 27 30,000 units. For purposes of this section, countywide average 28 daily attendance means the aggregate number of annual units of 29 average daily attendance within the county attributable to all 30 school districts for which the county superintendent of schools has 31 jurisdiction pursuant to Section 1253, charter schools within the 32 county, and the schools operated by the county superintendent of 33 schools. (B) \_\_\_\_ dollars (\$\_\_\_\_) multiplied by the number of units of 34 35 countywide average daily attendance for the portion of countywide average daily attendance, if any, above 30,000 units, up to a 36 37 maximum of 60,000 units. (C) \_\_\_\_ dollars (\$\_ 38 \_\_\_) multiplied by the number of units of

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average daily attendance, if any, above 60,000, up to a maximum of 140,000 units.

- (D) \_\_\_\_ dollars (\$\_\_\_\_) multiplied by the number of units of countywide average daily attendance for the portion of countywide average daily attendance, if any, above 140,000 units.
- (4) For the 2015–16 fiscal year and each fiscal year thereafter, adjust each of the amounts provided in the prior year pursuant to paragraphs (1), (2), and (3) by the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year. This percentage change shall be determined using the latest data available as of May 10 of the preceding fiscal year compared with the annual average value of the same deflator for the 12-month period ending in the third quarter of the second preceding fiscal year, using the latest data available as of May 10 of the preceding fiscal year, as reported by the Department of Finance.
- (b) Divide the enrollment of unduplicated pupils in all schools operated by a county superintendent of schools by the total enrollment in those schools.
- (1) For purposes of this section, an "unduplicated pupil" is a pupil who is classified as an English learner pursuant to Section 52164, as that section read on January 1, 2014; eligible to receive a free or reduced-price meal pursuant to Section 49552, as that section read on January 1, 2014; or a foster child pursuant to Sections 300 and 601 of the Welfare and Institutions Code. A pupil shall be counted only once for purposes of this section if any of the following apply:
- 31 (A) The pupil is classified as an English learner and is eligible 32 for a free or reduced-price meal.
- 33 (B) The pupil is classified as an English learner and is a foster child.
- 35 (C) The pupil is classified as a foster child and is eligible for a 36 free or reduced-price meal.
- 37 (D) The pupil is classified as an English learner, is eligible for 38 a free or reduced-price meal, and is a foster child.

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(2) For purposes of this section, a pupil shall not be classified as an English learner for a total of more than five school years by any school district, charter school, or county office of education.

- (3) For purposes of this subdivision, a pupil enrolled in a juvenile court school operated by a county superintendent of schools shall not be included in any enrollment counts.
- (4) Commencing with the 2014–15 fiscal year, a county superintendent of schools annually shall report the enrollment of unduplicated pupils, pupils classified as English learners, pupils eligible for free and reduced-price meals, and foster children in schools operated by the county superintendent of schools to the Superintendent using the California Longitudinal Pupil Achievement Data System. The Superintendent shall make the calculations pursuant to this section using the California Longitudinal Pupil Achievement Data System.
- (c) Compute an alternative education grant equal to the sum of the following:
- (1) For the 2014–15 fiscal year, a base grant of \_\_\_\_\_ dollars (\$\_\_\_\_\_). For the 2015–16 fiscal year and each fiscal year thereafter, adjust the base grant provided in the prior year by the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year. This percentage change shall be determined using the latest data available as of May 10 of the preceding fiscal year compared with the annual average value of the same deflator for the 12-month period ending in the third quarter of the second preceding fiscal year, using the latest data available as of May 10 of the preceding fiscal year, as reported by the Department of Finance.
- (2) A supplemental grant equal to 35 percent of the base grant defined in paragraph (1) multiplied by the percentage calculated in subdivision (b).
- (3) (A) Multiply the sum of paragraphs (1) and (2) by the total number of units of average daily attendance for pupils attending schools operated by a county office of education, excluding units of average daily attendance for pupils attending a juvenile court school, who are any of the following:

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(i) Probation-referred pursuant to Sections 300, 601, 602, and 654 of the Welfare and Institutions Code.

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- (ii) On probation or parole and not in attendance in a school.
- (iii) Expelled for any of the reasons specified in subdivision (a) or (c) of Section 48915.
- (B) Multiply the number of units of average daily attendance for pupils attending a juvenile court school by the sum of the base grant calculated in paragraph (1) and a supplemental grant equal to 35 percent of the base grant pursuant to paragraph (1).
  - (C) Add the amounts calculated in subparagraphs (A) and (B).
- (d) Add the amount calculated in subdivision (a) to the amount calculated in subparagraph (C) of paragraph (3) of subdivision (c).
- (e) Add all of the following to the amount calculated in subdivision (d):
- (1) The amount of funding a county superintendent of schools received for the 2013–14 fiscal year from funds allocated pursuant to the Targeted Instructional Improvement Block Grant program, as set forth in Article 6 (commencing with Section 41540) of Chapter 3.2 of Part 24 of Division 3 of Title 2, as that article read on January 1, 2014.
- (2) The amount of funding a county superintendent of schools received for the 2013–14 fiscal year from funds allocated pursuant to the Home to School Transportation program, as set forth in Article 2 (commencing with Section 39820) of Chapter 1 of Part 23.5 of Division 3 of Title 2, and Article 10 (commencing with Section 41850) of Chapter 5 of Part 24 of Division 3 of Title 2, as those articles read on January 1, 2014.
- 2575. Commencing with the 2014–15 budget year and for each fiscal year thereafter, the Superintendent shall distribute the appropriations in Section 14002 to each county superintendent of schools according to the following formula:
- (a) Calculate a prior year amount of funding for each county superintendent of schools equal to the sum of all of the following:
- (1) Entitlements for revenue limits in the 2013–14 fiscal year pursuant to Article 3 (commencing with Section 2550) of Chapter 12, as that article read on January 1, 2014, adjusted only for changes in average daily attendance claimed by the county superintendent of schools for pupils identified in clauses (i), (ii) and (iii) of subparagraph (A) of paragraph (3) of subdivision (c)

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of Section 2574 and of pupils attending juvenile court schools. All 2 other average daily attendance claimed by the county superintendent of schools and any other average daily attendance 3 4 used for purposes of calculating revenue limits pursuant to Article 5 3 (commencing with Section 2550) of Chapter 12, as that article read on January 1, 2014, shall be considered final for purposes 6 7 of this section as of the annual apportionment for the 2013–14 8 fiscal year, as calculated for purposes of the certification required on or before February 20, 2015, pursuant to Section 41332.

- (2) The amount of funding received from appropriations 10 contained in Section 2.00 of the Budget Act of 2013, as adjusted 11 12 by Section 12.42, in the following items: 6110-104-0001, 6110-105-0001, 6110-107-0001, 6110-108-0001, 6110-111-0001, 13 6110-119-0001, 6110-122-0001, 6110-124-0001, 6110-128-0001, 14 15 6110-137-0001, 6110-144-0001, 6110-156-0001, 6110-158-0001, 6110-166-0001, 6110-167-0001, 6110-181-0001, 6110-188-0001, 16 17 6110-189-0001, 6110-190-0001, 6110-193-0001, 6110-195-0001, 18 6110-198-0001, 6110-204-0001, 6110-208-0001, 6110-209-0001, 19 6110-211-0001, 6110-212-0001, 6110-227-0001, 6110-228-0001, 6110-232-0001, 6110-234-0001, 6110-240-0001, 6110-242-0001, 20 21 6110-243-0001, 6110-244-0001, 6110-245-0001, 6110-246-0001, 6110-247-0001, 6110-248-0001, 6110-260-0001, 6110-265-0001, 22 6110-267-0001, 23 6110-266-0001. 6110-268-0001, 6360-101-0001, and 2013–14 fiscal year funding for the Class 24 25 Size Reduction Program pursuant to Chapter 6.10 (commencing 26 with Section 52120) of Part 28 of Division 4 of Title 2, as it read 27 on January 1, 2014.
- (3) For the 2015–16 fiscal year and for each fiscal year thereafter, the amounts calculated pursuant to paragraph (3) of 30 subdivision (b) in all prior years.
- 31 (b) Calculate an adjustment to the amount in subdivision (a) as 32 follows:
  - (1) Subtract the amount in subdivision (a) from the amount computed in subdivision (e) of Section 2574. A difference of less than zero shall be deemed to be zero.
  - (2) Divide the difference for the county superintendent of schools calculated in paragraph (1) by the total of the differences for all county superintendents of schools calculated pursuant to paragraph (1).

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(3) (A) Multiply the proportion calculated in paragraph (2) by the amount of funding appropriated for purposes of this section. The amount calculated shall not exceed the difference for the county superintendent of schools calculated in paragraph (1).

- (B) Add the amount calculated in subparagraph (A) to the allocation to the county superintendent of schools as calculated pursuant to subdivision (a).
- (c) Subtract from the amount calculated in subparagraph (B) of paragraph (3) of subdivision (b) the sum of each of the following:
- (1) Local property tax revenues received pursuant to Section 2573 in the then current fiscal year.
- (2) Any amounts that the county superintendent of schools was required to maintain as restricted and not available for expenditure in the 1978–79 fiscal year as specified in the second paragraph of subdivision (c) of Section 6 of Chapter 292 of the Statutes of 1978, as amended by Chapter 51 of the Statutes of 1979.
- (3) The amount received pursuant to subparagraph (C) of paragraph (3) of subdivision (a) of Section 33607.5 of the Health and Safety Code that is considered property taxes pursuant to that section.
- (4) The amount, if any, received pursuant to Sections 34177, 34179.5, 34179.6, and 34188 of the Health and Safety Code.
- (5) (A) The amount, if any, received pursuant to subparagraph (B) of paragraph (3) of subdivision (e) of Section 36 of Article XIII of the California Constitution.
- (B) The amount in subparagraph (A) shall only offset the amount included in paragraph (1) of subdivision (a).
- (d) (1) The Superintendent shall apportion to the county superintendent of schools either of the following:
- (A) If the calculation in paragraph (1) of subdivision (b) is positive, the amount calculated in subdivision (c).
- (B) (i) If the calculation in paragraph (1) of subdivision (b) is equal to zero or is negative, the sum of the amounts in paragraphs (1) and (2) of subdivision (a), less the sum of the amounts included in paragraphs (1) to (5), inclusive, of subdivision (c).
- (ii) For the first fiscal year in which the amount calculated in subdivision (e) of Section 2574 is greater than the sum of the amounts in paragraphs (1) and (2) of subdivision (a) and for each fiscal year thereafter, the Superintendent shall apportion to the

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county superintendent of schools the amount calculated in subdivision (e) of Section 2574, less the sum of the amounts included in paragraphs (1) to (5), inclusive, of subdivision (c).

- (2) If the amount determined pursuant to paragraph (1) is negative, state aid shall not be apportioned to the county superintendent of schools pursuant to paragraph (1). An amount of funds of that county superintendent of schools equal to that negative amount shall be deemed restricted and not available for expenditure during the fiscal year in which subdivision (d) applies. In the following fiscal year, that amount shall be considered local property tax revenue for purposes of paragraph (1) of subdivision (c).
- (3) Commencing with the 2014–15 fiscal year, the Superintendent shall apportion to the county superintendent of schools an amount of state aid of no less than the amount calculated in paragraph (2) of subdivision (a), including any amount apportioned pursuant to paragraph (1).
- (e) (1) Funds apportioned pursuant to this section shall be available for any locally determined educational purpose.
- (2) Funds apportioned for purposes of a supplemental grant pursuant to paragraph (2) and subparagraph (B) of paragraph (3) of subdivision (c) of Section 2754, shall be available for any locally determined educational purpose that benefits the pupils that generated those funds pursuant to a local control and accountability plan adopted by the county board of education.
- (3) Commencing with the 2014–15 fiscal year, unless otherwise required by federal law, any requirements associated with the items listed in paragraph (2) of subdivision (a) shall not apply.
- 2576. (a) If a county superintendent of schools enrolls in a school operated by the county superintendent of schools a pupil not funded pursuant to clause (i), (ii), or (iii) of subparagraph (A) of paragraph (3) of subdivision (c) of Section 2574, any attendance generated by that pupil shall be credited to the school district of residence. That school district shall pay to the county superintendent of schools the entire entitlement generated for each unit of average daily attendance by that pupil.
- (b) For purposes of this section, the school district of residence for a homeless child, as defined in Section 1981.2, shall be deemed to be the school district that last provided educational services to

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that child or, if it is not possible to determine that school district, 2 the largest school district in the county.

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2577. Notwithstanding any other law, revenue limit funding for county superintendents of schools for the 2013–14 fiscal year and prior fiscal years shall continue to be adjusted pursuant to Article 3 (commencing with Section 2550), as that section read on January 1, 2014.

- 2578. Commencing on July 1, 2014, all of the following shall apply:
- 10 (a) All references to Section 2558 shall instead refer to Section *2575*.
  - (b) Unless context requires otherwise, all references to the revenue limit of a county office of education or county superintendent of schools shall instead refer to the county local control funding formula.
    - 2579. This article shall become operative on July 1, 2014.
  - SEC. 8. Section 14002 of the Education Code is amended to read:
  - 14002. (a) The Controller shall during each fiscal year commencing with the 1980-81 fiscal year, transfer from the General Fund of the state to that portion of the State School Fund restricted for elementary and high school purposes, hereinafter called Section A of the State School Fund such sums, in addition to the sums accruing from other sources, as shall provide in Section A of the State School Fund for apportionment during the fiscal year a total amount per pupil in average daily attendance during the preceding fiscal year credited to all elementary, high, and unified school districts and to all county superintendents of schools in the state, as certified by the Superintendent of Public Instruction, of one hundred eighty dollars (\$180).
  - (b) The Controller shall also transfer, as needed during each fiscal year commencing with the 1980-81 fiscal year, such additional amounts from the General Fund to Section A of the State School Fund as are certified from time to time by the Superintendent of Public Instruction to be necessary to meet actual computed apportionments from Section A of the State School Fund for the purposes set forth in Section 41301; provided that the total of such additional amounts transferred in a fiscal year shall not exceed, except pursuant to subdivision (c) of this section, one thousand two hundred sixty-eight dollars (\$1,268) for the 1980–81

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fiscal year and fiscal years thereafter, per pupil in average daily attendance during the preceding fiscal year credited to all elementary, high, and unified school districts and to all county superintendents of schools in the state, as certified by the Superintendent of Public Instruction.

- (c) In addition to the amounts authorized to be transferred to Section A of the State School Fund under subdivisions (a) and (b), the Controller shall transfer from the General Fund to Section A of the State School Fund during the fiscal year, upon certification of the Superintendent of Public Instruction, if necessary to meet actual computed apportionments for the fiscal year for the purposes set forth in Sections 41300 and 41301, an amount not to exceed the lesser of: (1) 1 percent of the total apportionment from Section A of the State School Fund in the preceding fiscal year for the purposes set forth in Sections 41300 and 41301, or (2) the net amount, if any, by which the total amounts authorized to be transferred from the General Fund to Section A of the State School Fund under subdivisions (a) and (b) in prior fiscal years have exceeded the total amounts actually apportioned in prior fiscal years for the purposes set forth in Sections 41300 and 41301.
- (d) The Controller shall also transfer to Section A of the State School Fund any additional amounts appropriated thereto by the Legislature in augmentation of any of the amounts for any of the purposes set forth in Sections 41300 and 41301 and such additional amounts shall be allowed and apportioned by the Superintendent of Public Instruction and warrants therefor drawn by the Controller in the manner provided in Sections 41050, 46304, and 84503 and in this article, Article 2 (commencing with Section 14040), Article 3 (commencing with Section 41330) of Chapter 3, and Article 1 (commencing with Section 41600) of Chapter 4 of Part 24.
- (e) The amounts transferred under subdivisions (a) and (b) of this section shall be cumulatively increased by the following amounts:
  - (1) In the 1981–82 fiscal year, by 7 percent.
- 35 (2) In the 1982–83 fiscal year and each fiscal year thereafter, 36 by 6 percent.
  - (f) This section shall become operative on July 1, 2002.
- 38 (g) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute,

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that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 9. Section 14002 is added to the Education Code, to read: 14002. (a) Notwithstanding any other law, upon certification of the Superintendent, the Controller shall transfer from the General Fund to Section A of the State School Fund during each fiscal year the amount of moneys required to meet the actual computed apportionments for the fiscal year for the purposes set forth in Sections 2575, 42238.02, and 42238.03.

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- (b) The Controller shall also transfer to Section A of the State School Fund any additional amounts appropriated thereto by the Legislature in augmentation of any of the amounts for any of the purposes set forth in Sections 2575, 42238.02, and 42238.03 and such additional amounts shall be allowed and apportioned by the Superintendent and warrants therefor drawn by the Controller in the manner provided in Sections 41050 and 46304, and in this article, Article 2 (commencing with Section 14040), Article 3 (commencing with Section 41330) of Chapter 3 of Part 24 of Division 3 of Title 2, and Article 1 (commencing with Section 41600) of Chapter 4 of Part 24 of Division 3 of Title 2.
- (c) This section shall become operative on July 1, 2014.
- SEC. 10. Section 14002.1 of the Education Code is amended to read:
- 14002.1. (a) Notwithstanding any other law, for purposes of determining (a) the amounts to be certified pursuant to Sections 14002 and 14004, (b) allocations made pursuant to Section 41301, (c) the apportionments required to be made pursuant to Sections 41330, 41332, and 41335, (d) revenue limits for school districts pursuant to Section 42238, as adjusted pursuant to Sections 42238.14, 42238.145, and 42238.146, and (e) revenue limits for county offices of education pursuant to Section 2558, as adjusted pursuant to Sections 2558.4, 2558.45, and 2558.46, the Superintendent of Public Instruction shall use the property tax estimates received from county auditors pursuant to Section 75.70 of the Revenue and Taxation Code.
- (b) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

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1 SEC. 11. Section 14002.1 is added to the Education Code, to 2 read:

- 14002.1. (a) Notwithstanding any other law, for purposes of determining the amounts to be certified pursuant to subdivision (a) of Section 14002, the Superintendent shall use the property tax estimates received from county auditors pursuant to Section 75.70 of the Revenue and Taxation Code.
  - (b) This section shall become operative on July 1, 2014.
- 9 SEC. 12. Section 14002.5 of the Education Code is amended 10 to read:
  - 14002.5. (a) In making the computation prescribed by subdivision (b) of Section 14002, the Controller shall cumulatively increase the seventy-nine cents (\$0.79) amount prescribed by that subdivision by 6 percent annually, and shall cumulatively increase the twenty-one dollar and fifty cents (\$21.50) amount prescribed by that subdivision by 6 percent annually.
  - (b) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 13. Section 14003 of the Education Code is amended to read:
  - 14003. (a) Commencing with the 2010–11 fiscal year, on March 28 of each fiscal year in which the percentage growth in per capita General Fund revenues exceeds the percentage growth in California per capita personal income, the Controller shall transfer from the General Fund to Sections A and B of the State School Fund, as set forth in subdivision (c), the amount determined pursuant to paragraph (1) minus the amount determined pursuant to paragraph (2).
  - (1) The product of General Fund revenues from proceeds of taxes and one-half of the difference between the percentage growth in per capita General Fund revenues from proceeds of taxes and in California per capita personal income.
  - (2) The amount of the maintenance factor certified pursuant to Section 41207.2 that is allocated in the current year pursuant to subdivision (e) of Section 8 of Article XVI of the California Constitution.
- 39 (b) The amount transferred pursuant to subdivision (a) shall be 40 in addition to amounts required to be allocated pursuant to

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subdivision (b) of Section 8 of Article XVI of the California Constitution.

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- (c) (1) Of the amount determined pursuant to subdivision (a), the Controller shall transfer 92 percent to Section A of the State School Fund. The Superintendent shall allocate the funds transferred pursuant to this paragraph in the following priority order:
- (A) An amount not to exceed two hundred million dollars (\$200,000,000) for the purposes of revenue limit equalization in a manner consistent with Section 42238.49 for the first fiscal year in which funds are transferred pursuant to this paragraph.
- (B) Such amounts as necessary to reduce the revenue limit deficit factors set forth in Sections 2558.46 and 42238.146 until the deficit factors are reduced to zero.
- (C) Any remaining amounts transferred pursuant to this paragraph shall be allocated as an equal increase per unit of average daily attendance in general purpose apportionments for purposes of Sections 2558, 42238, and 47633.
- (2) Of the amount determined pursuant to subdivision (a), the Controller shall transfer 8 percent to Section B of the State School Fund. The Chancellor of the Community Colleges shall allocate the funds transferred pursuant to this paragraph in equal amounts for the following purposes:
- (A) For purposes of career and technical education pursuant to Chapter 352 of the Statutes of 2005.
- (B) As a proportionate increase in general purpose apportionments for community college districts.
- (d) For purposes of determining the amount required pursuant to paragraph (2) or (3), as applicable, of subdivision (b) of Section 8 of Article XVI of the California Constitution for the following fiscal year, all amounts transferred in the prior fiscal year pursuant to this section shall be deemed allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B for that prior fiscal year.
- (e) The sum of the amounts transferred pursuant to this section plus the sum of the amounts of the maintenance factor certified pursuant to Section 41207.2 that is allocated pursuant to subdivision (e) of Section 8 of Article XVI of the California Constitution shall not exceed the total amount of eleven billion two hundred twelve million nine hundred nine thousand dollars

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(\$11,212,909,000) less any maintenance factor amount that is allocated for the 2009–10 fiscal year.

- (f) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 14. Section 14003 is added to the Education Code, to read:
- 14003. (a) Commencing with the 2010–11 fiscal year, on March 28 of each fiscal year in which the percentage growth in per capita General Fund revenues exceeds the percentage growth in California per capita personal income, the Controller shall transfer from the General Fund to Sections A and B of the State School Fund, as set forth in subdivision (c), the amount determined pursuant to paragraph (1) minus the amount determined pursuant to paragraph (2).
- (1) The product of General Fund revenues from proceeds of taxes and one-half of the difference between the percentage growth in per capita General Fund revenues from proceeds of taxes and in California per capita personal income.
- (2) The amount of the maintenance factor certified pursuant to Section 41207.2 that is allocated in the current year pursuant to subdivision (e) of Section 8 of Article XVI of the California Constitution.
- (b) The amount transferred pursuant to subdivision (a) shall be in addition to amounts required to be allocated pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution.
- (c) (1) Of the amount determined pursuant to subdivision (a), the Controller shall transfer 92 percent to Section A of the State School Fund. The Superintendent shall allocate the funds transferred pursuant to this paragraph in the following priority order:
- (A) Such amounts as necessary to implement the local control funding formula pursuant to Section 42238.02, as implemented by Section 42238.03, and the county local control funding formula, pursuant to Section 2575.
- 38 (B) Any remaining amounts transferred pursuant to this 39 paragraph shall be allocated pursuant to Sections 2575 and 40 42238.02, as implemented by Section 42238.03.

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(2) Of the amount determined pursuant to subdivision (a), the Controller shall transfer 8 percent to Section B of the State School Fund. The Chancellor of the Community Colleges shall allocate the funds transferred pursuant to this paragraph in equal amounts for the following purposes:

- (A) For purposes of career and technical education pursuant to Chapter 352 of the Statutes of 2005.
- (B) As a proportionate increase in general purpose apportionments for community college districts.
- (d) For purposes of determining the amount required pursuant to paragraph (2) or (3), as applicable, of subdivision (b) of Section 8 of Article XVI of the California Constitution for the following fiscal year, all amounts transferred in the prior fiscal year pursuant to this section shall be deemed allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B for that prior fiscal year.
- (e) The sum of the amounts transferred pursuant to this section plus the sum of the amounts of the maintenance factor certified pursuant to Section 41207.2 that is allocated pursuant to subdivision (e) of Section 8 of Article XVI of the California Constitution shall not exceed the total amount of eleven billion two hundred twelve million nine hundred nine thousand dollars (\$11,212,909,000) less any maintenance factor amount that is allocated for the 2009–10 fiscal year.
  - (f) This section shall become operative on July 1, 2014.
- SEC. 15. Section 14501 of the Education Code is amended to read:
- 14501. (a) As used in this chapter, "financial and compliance audit" shall be consistent with the definition provided in the "Standards for Audits of Governmental Organizations, Programs, Activities, and Functions" promulgated by the Comptroller General of the United States. Financial and compliance audits conducted under this chapter shall fulfill federal single audit requirements.
- (b) As used in this chapter, "compliance audit" means an audit that ascertains and verifies whether or not funds provided through apportionment, contract, or grant, either federal or state, have been properly disbursed and expended as required by law or regulation or both and includes the verification of each of the following:
- (1) The reporting requirements for the sufficiency of textbooks or instructional materials, or both, as defined in Section 60119.

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(2) Teacher misassignments pursuant to Section 44258.9.

- (3) The accuracy of information reported on the School Accountability Report Card required by Section 33126. The requirements set forth in paragraphs (1) and (2) and this paragraph shall be added to the audit guide requirements pursuant to subdivision (b) of Section 14502.1.
- (c) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 16. Section 14501 is added to the Education Code, to read:
- 14501. (a) As used in this chapter, "financial and compliance audit" shall be consistent with the definition provided in the "Standards for Audits of Governmental Organizations, Programs, Activities, and Functions" promulgated by the Comptroller General of the United States. Financial and compliance audits conducted under this chapter shall fulfill federal single audit requirements.
- (b) As used in this chapter, "compliance audit" means an audit that ascertains and verifies whether or not funds provided through apportionment, contract, or grant, either federal or state, have been properly disbursed and expended as required by law or regulation or both and includes the verification of each of the following:
- (1) Expenditure of these funds in accordance with the local control and accountability plan adopted by the governing board of the school district pursuant to Sections 52060 and 52064 or the county board of education pursuant to Sections 52062 and 52064.
- (2) The reporting requirements for the sufficiency of textbooks or instructional materials, or both, as defined in Section 60119.
  - (3) Teacher misassignments pursuant to Section 44258.9.
- (4) The accuracy of information reported on the School Accountability Report Card required by Section 33126. The requirements set forth in paragraphs (1) and (2) and this paragraph shall be added to the audit guide requirements pursuant to subdivision (b) of Section 14502.1.
- 37 (c) This section shall become operative on July 1, 2014.
  - SEC. 17. Section 33127 of the Education Code is amended to read:

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33127. (a) The Superintendent of Public Instruction, the Controller, and the Director of the Department of Finance shall develop, on or before March 1, 1989, standards and criteria to be reviewed and adopted by the State Board of Education, and to be used by local educational agencies in the development of annual budgets and the management of subsequent expenditures from that budget. During the development of the standards and criteria, the Superintendent of Public Instruction shall convene a committee composed of representatives from school districts, county offices of education, state agencies, the Legislature, and appropriate labor and professional organizations. The committee may review and comment on the proposal standards and criteria prior to their adoption. In addition, the standards and criteria shall be used to monitor the fiscal stability of local educational agencies as provided for in Sections 1240.1, 1240.2, 1621, 1623, 33131, 42127, and 42127.1.

(b) The Superintendent of Public Instruction, the Controller, and the Director of the Department of Finance shall update the standards and criteria developed pursuant to subdivision (a) on or before September 1, 2005. The updated standards and criteria shall be reviewed and adopted pursuant to the procedure established by subdivision (a) and are applicable to local educational agency budgets commencing with the 2006–07 fiscal year and each fiscal year thereafter.

- (c) After September 1, 2005, to the extent necessary, any revisions or updates to the standards and criteria shall be developed by the Superintendent of Public Instruction, the Controller, and the Director of the Department of Finance pursuant the procedures established by subdivision (a). The revisions or updates shall specify the fiscal year in which the revisions or updates are applicable.
- (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 18. Section 33127 is added to the Education Code, to read:
- 38 33127. (a) The Superintendent, the Controller, and the 39 Director of the Department of Finance shall develop, on or before 40 March 1, 1989, standards and criteria to be reviewed and adopted

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by the state board, and to be used by local educational agencies in the development of annual budgets and the management of subsequent expenditures from that budget. During the development of the standards and criteria, the Superintendent shall convene a committee composed of representatives from school districts, county offices of education, state agencies, the Legislature, and appropriate labor and professional organizations. The committee may review and comment on the proposal standards and criteria prior to their adoption. In addition, the standards and criteria shall be used to monitor the fiscal stability of local educational agencies as provided for in Sections 1240.1, 1240.2, 1621, 1623, 33131, 42127, and 42127.1. 

- (b) The Superintendent, the Controller, and the Director of the Department of Finance shall update the standards and criteria developed pursuant to subdivision (a) on or before September 1, 2005. The updated standards and criteria shall be reviewed and adopted pursuant to the procedure established by subdivision (a) and are applicable to local educational agency budgets commencing with the 2006–07 fiscal year and each fiscal year thereafter.
- (c) The Superintendent, the Controller, and the Director of the Department of Finance shall update the standards and criteria developed pursuant to subdivision (a) on or before January 1, 2015. Standards and criteria related to the requirements of Article 3.8 (commencing with Section 52060) of Chapter 6.1 of Part 28 of Title 2 shall be included. The updated standards and criteria shall be reviewed and adopted pursuant to the procedure established by subdivision (a) and are applicable to local educational agency budgets commencing with the 2015–16 fiscal year and each fiscal year thereafter.
- (d) After January 1, 2015, to the extent necessary, any revisions or updates to the standards and criteria shall be developed by the Superintendent, the Controller, and the Director of the Department of Finance pursuant the procedures established by subdivision (a). The revisions or updates shall specify the fiscal year in which the revisions or updates are applicable.
- (e) This section shall become operative on July 1, 2014.
- 38 SEC. 19. Section 41020 of the Education Code is amended to 39 read:

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41020. (a) It is the intent of the Legislature to encourage sound fiscal management practices among local educational agencies for the most efficient and effective use of public funds for the education of children in California by strengthening fiscal accountability at the district, county, and state levels.

- (b) (1) Not later than the first day of May of each fiscal year, each county superintendent of schools shall provide for an audit of all funds under his or her jurisdiction and control and the governing board of each local educational agency shall either provide for an audit of the books and accounts of the local educational agency, including an audit of income and expenditures by source of funds, or make arrangements with the county superintendent of schools having jurisdiction over the local educational agency to provide for that auditing.
- (2) A contract to perform the audit of a local educational agency that has a disapproved budget or has received a negative certification on any budget or interim financial report during the current fiscal year or either of the two preceding fiscal years, or for which the county superintendent of schools has otherwise determined that a lack of going concern exists, is not valid unless approved by the responsible county superintendent of schools and the governing board.
- (3) If the governing board of a local educational agency has not provided for an audit of the books and accounts of the local educational agency by April 1, the county superintendent of schools having jurisdiction over the local educational agency shall provide for the audit of each local educational agency.
- (4) An audit conducted pursuant to this section shall comply fully with the Government Auditing Standards issued by the Comptroller General of the United States.
- (5) For purposes of this section, "local educational agency" does not include community colleges.
- (c) Each audit conducted in accordance with this section shall include all funds of the local educational agency, including the student body and cafeteria funds and accounts and any other funds under the control or jurisdiction of the local educational agency. Each audit shall also include an audit of pupil attendance procedures.

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(d) All audit reports for each fiscal year shall be developed and reported using a format established by the Controller after consultation with the Superintendent and the Director of Finance.

- (e) (1) The cost of the audits provided for by the county superintendent of schools shall be paid from the county school service fund and the county superintendent of schools shall transfer the pro rata share of the cost chargeable to each district from district funds.
- (2) The cost of the audit provided for by a governing board shall be paid from local educational agency funds. The audit of the funds under the jurisdiction and control of the county superintendent of schools shall be paid from the county school service fund.
- (f) (1) The audits shall be made by a certified public accountant or a public accountant, licensed by the California Board of Accountancy, and selected by the local educational agency, as applicable, from a directory of certified public accountants and public accountants deemed by the Controller as qualified to conduct audits of local educational agencies, which shall be published by the Controller not later than December 31 of each year.
- (2) Commencing with the 2003–04 fiscal year and except as provided in subdivision (d) of Section 41320.1, it is unlawful for a public accounting firm to provide audit services to a local educational agency if the lead audit partner, or coordinating audit partner, having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local educational agency in each of the six previous fiscal years. The Education Audits Appeal Panel may waive this requirement if the panel finds that no otherwise eligible auditor is available to perform the audit.
- (3) It is the intent of the Legislature that, notwithstanding paragraph (2), the rotation within public accounting firms conform to provisions of the federal Sarbanes-Oxley Act of 2002 (P.L. 107-204; 15 U.S.C. Sec. 7201 et seq.), and upon release of the report required by the act of the Comptroller General of the United States addressing the mandatory rotation of registered public accounting firms, the Legislature intends to reconsider the provisions of paragraph (2). In determining which certified public accountants and public accountants shall be included in the directory, the Controller shall use the following criteria:

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(A) The certified public accountants or public accountants shall be in good standing as certified by the Board of Accountancy.

- (B) The certified public accountants or public accountants, as a result of a quality control review conducted by the Controller pursuant to Section 14504.2, shall not have been found to have conducted an audit in a manner constituting noncompliance with subdivision (a) of Section 14503.
  - (g) (1) The auditor's report shall include each of the following:
- (A) A statement that the audit was conducted pursuant to standards and procedures developed in accordance with Chapter 3 (commencing with Section 14500) of Part 9 of Division 1 of Title 1.
- (B) A summary of audit exceptions and management improvement recommendations.
- (C) Each audit of a local educational agency shall include an evaluation by the auditor on whether there is substantial doubt about the ability of the local educational agency to continue as a going concern for a reasonable period of time. This evaluation shall be based on the Statement of Auditing Standards (SAS) No. 59, as issued by the AICPA regarding disclosure requirements relating to the ability of the entity to continue as a going concern.
- (2) To the extent possible, a description of correction or plan of correction shall be incorporated in the audit report, describing the specific actions that are planned to be taken, or that have been taken, to correct the problem identified by the auditor. The descriptions of specific actions to be taken or that have been taken shall not solely consist of general comments such as "will implement," "accepted the recommendation," or "will discuss at a later date."
- (h) Not later than December 15, a report of each local educational agency audit for the preceding fiscal year shall be filed with the county superintendent of schools of the county in which the local educational agency is located, the department, and the Controller. The Superintendent shall make any adjustments necessary in future apportionments of all state funds, to correct any audit exceptions revealed by those audit reports.
- (i) (1) Commencing with the 2002–03 audit of local educational agencies pursuant to this section and subdivision (d) of Section 41320.1, each county superintendent of schools shall be responsible for reviewing the audit exceptions contained in an audit of a local

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educational agency under his or her jurisdiction related to attendance, inventory of equipment, internal control, and any miscellaneous items, and determining whether the exceptions have been either corrected or an acceptable plan of correction has been developed.

- (2) Commencing with the 2004–05 audit of local educational agencies pursuant to this section and subdivision (d) of Section 41320.1, each county superintendent of schools shall include in the review of audit exceptions performed pursuant to this subdivision those audit exceptions related to use of instructional materials program funds, teacher misassignments pursuant to Section 44258.9, information reported on the school accountability report card required pursuant to Section 33126 and shall determine whether the exceptions are either corrected or an acceptable plan of correction has been developed.
- (j) Upon submission of the final audit report to the governing board of each local educational agency and subsequent receipt of the audit by the county superintendent of schools having jurisdiction over the local educational agency, the county office of education shall do all of the following:
- (1) Review audit exceptions related to attendance, inventory of equipment, internal control, and other miscellaneous exceptions. Attendance exceptions or issues shall include, but not be limited to, those related to revenue limits, adult education, and independent study.
- (2) If a description of the correction or plan of correction has not been provided as part of the audit required by this section, then the county superintendent of schools shall notify the local educational agency and request the governing board of the local educational agency to provide to the county superintendent of schools a description of the corrections or plan of correction by March 15.
- (3) Review the description of correction or plan of correction and determine its adequacy. If the description of the correction or plan of correction is not adequate, the county superintendent of schools shall require the local educational agency to resubmit that portion of its response that is inadequate.
- (k) Each county superintendent of schools shall certify to the Superintendent and the Controller, not later than May 15, that his or her staff has reviewed all audits of local educational agencies

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under his or her jurisdiction for the prior fiscal year, that all exceptions that the county superintendent was required to review were reviewed, and that all of those exceptions, except as otherwise noted in the certification, have been corrected by the local educational agency or that an acceptable plan of correction has been submitted to the county superintendent of schools. In addition, the county superintendent shall identify, by local educational agency, any attendance-related audit exception or exceptions involving state funds, and require the local educational agency to which the audit exceptions were directed to submit appropriate reporting forms for processing by the Superintendent.

- (*l*) In the audit of a local educational agency for a subsequent year, the auditor shall review the correction or plan or plans of correction submitted by the local educational agency to determine if the exceptions have been resolved. If not, the auditor shall immediately notify the appropriate county office of education and the department and restate the exception in the audit report. After receiving that notification, the department shall either consult with the local educational agency to resolve the exception or require the county superintendent of schools to follow up with the local educational agency.
- (m) (1) The Superintendent shall be responsible for ensuring that local educational agencies have either corrected or developed plans of correction for any one or more of the following:
- (A) All federal and state compliance audit exceptions identified in the audit.
- (B) Any exceptions that the county superintendent certifies as of May 15 have not been corrected.
- (C) Any repeat audit exceptions that are not assigned to a county superintendent to correct.
- (2) In addition, the Superintendent shall be responsible for ensuring that county superintendents of schools and each county board of education that serves as the governing board of a local educational agency either correct all audit exceptions identified in the audits of county superintendents of schools and of the local educational agencies for which the county boards of education serve as the governing boards or develop acceptable plans of correction for those exceptions.
- (3) The Superintendent shall report annually to the Controller on his or her actions to ensure that school districts, county

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superintendents of schools, and each county board of education that serves as the governing board of a school district have either corrected or developed plans of correction for any of the exceptions noted pursuant to paragraph (1).

- (n) To facilitate correction of the exceptions identified by the audits issued pursuant to this section, commencing with 2002–03 audits pursuant to this section, the Controller shall require auditors to categorize audit exceptions in each audit report in a manner that will make it clear to both the county superintendent of schools and the Superintendent which exceptions they are responsible for ensuring the correction of by a local educational agency. In addition, the Controller annually shall select a sampling of county superintendents of schools and perform a followup of the audit resolution process of those county superintendents of schools and report the results of that followup to the Superintendent and the county superintendents of schools that were reviewed.
- (o) County superintendents of schools shall adjust subsequent local property tax requirements to correct audit exceptions relating to local educational agency tax rates and tax revenues.
- (p) If a governing board or county superintendent of schools fails or is unable to make satisfactory arrangements for the audit pursuant to this section, the Controller shall make arrangements for the audit and the cost of the audit shall be paid from local educational agency funds or the county school service fund, as the case may be.
- (q) Audits of regional occupational centers and programs are subject to the provisions of this section.
- (r) This section does not authorize examination of, or reports on, the curriculum used or provided for in any local educational agency.
- (s) Notwithstanding any other provision of law, a nonauditing, management, or other consulting service to be provided to a local educational agency by a certified public accounting firm while the certified public accounting firm is performing an audit of the agency pursuant to this section must be in accord with Government Accounting Standards, Amendment No. 3, as published by the United States General Accounting Office.
- (t) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute,

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that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 20. Section 41020 is added to the Education Code, to read:

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- 41020. (a) It is the intent of the Legislature to encourage sound fiscal management practices among local educational agencies for the most efficient and effective use of public funds for the education of children in California by strengthening fiscal accountability at the school district, county, and state levels.
- (b) (1) Not later than the first day of May of each fiscal year, each county superintendent of schools shall provide for an audit of all funds under his or her jurisdiction and control and the governing board of each local educational agency shall either provide for an audit of the books and accounts of the local educational agency, including an audit of income and expenditures by source of funds, or make arrangements with the county superintendent of schools having jurisdiction over the local educational agency to provide for that auditing.
- (2) A contract to perform the audit of a local educational agency that has a disapproved budget or has received a negative certification on any budget or interim financial report during the current fiscal year or either of the two preceding fiscal years, or for which the county superintendent of schools has otherwise determined that a lack of going concern exists, is not valid unless approved by the responsible county superintendent of schools and the governing board.
- (3) If the governing board of a local educational agency has not provided for an audit of the books and accounts of the local educational agency by April 1, the county superintendent of schools having jurisdiction over the local educational agency shall provide for the audit of each local educational agency.
- (4) An audit conducted pursuant to this section shall comply fully with the Government Auditing Standards issued by the Comptroller General of the United States.
- (5) For purposes of this section, "local educational agency" does not include community colleges.
- (c) Each audit conducted in accordance with this section shall include all funds of the local educational agency, including the student body and cafeteria funds and accounts and any other funds under the control or jurisdiction of the local educational agency.

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1 Each audit shall also include an audit of pupil attendance 2 procedures. Each audit shall include a determination of whether 3 funds were expended in accordance with a local control and 4 accountability plan pursuant to Article 3.8 (commencing with 5 Section 52060) of Chapter 6.1 of Part 28 of Division 3.

- (d) All audit reports for each fiscal year shall be developed and reported using a format established by the Controller after consultation with the Superintendent and the Director of Finance.
- (e) (1) The cost of the audits provided for by the county superintendent of schools shall be paid from the county school service fund and the county superintendent of schools shall transfer the pro rata share of the cost chargeable to each school district from school district funds.
- (2) The cost of the audit provided for by a governing board shall be paid from local educational agency funds. The audit of the funds under the jurisdiction and control of the county superintendent of schools shall be paid from the county school service fund.
- (f) (1) The audits shall be made by a certified public accountant or a public accountant, licensed by the California Board of Accountancy, and selected by the local educational agency, as applicable, from a directory of certified public accountants and public accountants deemed by the Controller as qualified to conduct audits of local educational agencies, which shall be published by the Controller not later than December 31 of each year.
- (2) Commencing with the 2003–04 fiscal year and except as provided in subdivision (d) of Section 41320.1, it is unlawful for a public accounting firm to provide audit services to a local educational agency if the lead audit partner, or coordinating audit partner, having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local educational agency in each of the six previous fiscal years. The Education Audits Appeal Panel may waive this requirement if the panel finds that no otherwise eligible auditor is available to perform the audit.
- (3) It is the intent of the Legislature that, notwithstanding paragraph (2), the rotation within public accounting firms conform to provisions of the federal Sarbanes-Oxley Act of 2002 (Public Law 107-204; 15 U.S.C. Sec. 7201 et seq.), and upon release of the report required by the act of the Comptroller General of the

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United States addressing the mandatory rotation of registered public accounting firms, the Legislature intends to reconsider the provisions of paragraph (2). In determining which certified public accountants and public accountants shall be included in the directory, the Controller shall use the following criteria:

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- (A) The certified public accountants or public accountants shall be in good standing as certified by the Board of Accountancy.
- (B) The certified public accountants or public accountants, as a result of a quality control review conducted by the Controller pursuant to Section 14504.2, shall not have been found to have conducted an audit in a manner constituting noncompliance with subdivision (a) of Section 14503.
  - (g) (1) The auditor's report shall include each of the following:
- (A) A statement that the audit was conducted pursuant to standards and procedures developed in accordance with Chapter 3 (commencing with Section 14500) of Part 9 of Division 1 of Title 1.
- (B) A summary of audit exceptions and management improvement recommendations.
- (C) Each audit of a local educational agency shall include an evaluation by the auditor on whether there is substantial doubt about the ability of the local educational agency to continue as a going concern for a reasonable period of time. This evaluation shall be based on the Statement on Auditing Standards (SAS) No. 59, as issued by the AICPA regarding disclosure requirements relating to the ability of the entity to continue as a going concern.
- (2) To the extent possible, a description of correction or plan of correction shall be incorporated in the audit report, describing the specific actions that are planned to be taken, or that have been taken, to correct the problem identified by the auditor. The descriptions of specific actions to be taken or that have been taken shall not solely consist of general comments such as "will implement," "accepted the recommendation," or "will discuss at a later date."
- (h) Not later than December 15, a report of each local educational agency audit for the preceding fiscal year shall be filed with the county superintendent of schools of the county in which the local educational agency is located, the department, and the Controller. The Superintendent shall make any adjustments

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necessary in future apportionments of all state funds, to correct any audit exceptions revealed by those audit reports.

- (i) (1) Commencing with the 2002–03 audit of local educational agencies pursuant to this section and subdivision (d) of Section 41320.1, each county superintendent of schools shall be responsible for reviewing the audit exceptions contained in an audit of a local educational agency under his or her jurisdiction related to attendance, inventory of equipment, internal control, and any miscellaneous items, and determining whether the exceptions have been either corrected or an acceptable plan of correction has been developed.
- (2) Commencing with the 2004–05 audit of local educational agencies pursuant to this section and subdivision (d) of Section 41320.1, each county superintendent of schools shall include in the review of audit exceptions performed pursuant to this subdivision those audit exceptions related to use of instructional materials program funds, teacher misassignments pursuant to Section 44258.9, information reported on the school accountability report card required pursuant to Section 33126 and shall determine whether the exceptions are either corrected or an acceptable plan of correction has been developed.
- (j) Upon submission of the final audit report to the governing board of each local educational agency and subsequent receipt of the audit by the county superintendent of schools having jurisdiction over the local educational agency, the county office of education shall do all of the following:
- (1) Review audit exceptions related to attendance, inventory of equipment, internal control, and other miscellaneous exceptions. Attendance exceptions or issues shall include, but not be limited to, those related to local control funding formula allocations pursuant to Section 42238.02, as implemented by Section 42238.03, and independent study.
- (2) If a description of the correction or plan of correction has not been provided as part of the audit required by this section, then the county superintendent of schools shall notify the local educational agency and request the governing board of the local educational agency to provide to the county superintendent of schools a description of the corrections or plan of correction by March 15.

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(3) Review the description of correction or plan of correction and determine its adequacy. If the description of the correction or plan of correction is not adequate, the county superintendent of schools shall require the local educational agency to resubmit that portion of its response that is inadequate.

- (k) Each county superintendent of schools shall certify to the Superintendent and the Controller, not later than May 15, that his or her staff has reviewed all audits of local educational agencies under his or her jurisdiction for the prior fiscal year, that all exceptions that the county superintendent was required to review were reviewed, and that all of those exceptions, except as otherwise noted in the certification, have been corrected by the local educational agency or that an acceptable plan of correction has been submitted to the county superintendent of schools. In addition, the county superintendent shall identify, by local educational agency, any attendance-related audit exception or exceptions involving state funds, and require the local educational agency to which the audit exceptions were directed to submit appropriate reporting forms for processing by the Superintendent.
- (l) In the audit of a local educational agency for a subsequent year, the auditor shall review the correction or plan or plans of correction submitted by the local educational agency to determine if the exceptions have been resolved. If not, the auditor shall immediately notify the appropriate county office of education and the department and restate the exception in the audit report. After receiving that notification, the department shall either consult with the local educational agency to resolve the exception or require the county superintendent of schools to follow up with the local educational agency.
- (m) (1) The Superintendent shall be responsible for ensuring that local educational agencies have either corrected or developed plans of correction for any one or more of the following:
- (A) All federal and state compliance audit exceptions identified in the audit.
  - (B) Any exceptions that the county superintendent certifies as of May 15 have not been corrected.
  - (C) Any repeat audit exceptions that are not assigned to a county superintendent to correct.
  - (2) In addition, the Superintendent shall be responsible for ensuring that county superintendents of schools and each county

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board of education that serves as the governing board of a local educational agency either correct all audit exceptions identified in the audits of county superintendents of schools and of the local educational agencies for which the county boards of education serve as the governing boards or develop acceptable plans of correction for those exceptions.

- (3) The Superintendent shall report annually to the Controller on his or her actions to ensure that school districts, county superintendents of schools, and each county board of education that serves as the governing board of a school district have either corrected or developed plans of correction for any of the exceptions noted pursuant to paragraph (1).
- (n) To facilitate correction of the exceptions identified by the audits issued pursuant to this section, commencing with 2002–03 audits pursuant to this section, the Controller shall require auditors to categorize audit exceptions in each audit report in a manner that will make it clear to both the county superintendent of schools and the Superintendent which exceptions they are responsible for ensuring the correction of by a local educational agency. In addition, the Controller annually shall select a sampling of county superintendents of schools and perform a followup of the audit resolution process of those county superintendents of schools and report the results of that followup to the Superintendent and the county superintendents of schools that were reviewed.
- (o) County superintendents of schools shall adjust subsequent local property tax requirements to correct audit exceptions relating to local educational agency tax rates and tax revenues.
- (p) If a governing board or county superintendent of schools fails or is unable to make satisfactory arrangements for the audit pursuant to this section, the Controller shall make arrangements for the audit and the cost of the audit shall be paid from local educational agency funds or the county school service fund, as the case may be.
- (q) This section does not authorize examination of, or reports on, the curriculum used or provided for in any local educational agency.
- (r) Notwithstanding any other law, a nonauditing, management, or other consulting service to be provided to a local educational agency by a certified public accounting firm while the certified public accounting firm is performing an audit of the agency

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1 pursuant to this section must be in accord with Government 2 Accounting Standards, Amendment No. 3, as published by the 3 United States General Accounting Office.

(s) This section shall become operative on July 1, 2014.

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- SEC. 21. Section 41202 of the Education Code is amended to read:
- 41202. The words and phrases set forth in subdivision (b) of Section 8 of Article XVI of the Constitution of the State of California shall have the following meanings:
- (a) "Moneys to be applied by the State," as used in subdivision (b) of Section 8 of Article XVI of the California Constitution, means appropriations from the General Fund that are made for allocation to school districts, as defined, or community college districts. An appropriation that is withheld, impounded, or made without provisions for its allocation to school districts or community college districts, shall not be considered to be "moneys to be applied by the State."
- (b) "General Fund revenues which may be appropriated pursuant to Article XIII B," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI, means General Fund revenues that are the proceeds of taxes as defined by subdivision (c) of Section 8 of Article XIII B of the California Constitution, including, for the 1986–87 fiscal year only, any revenues that are determined to be in excess of the appropriations limit established pursuant to Article XIIIB for the fiscal year in which they are received. General Fund revenues for a fiscal year to which paragraph (1) of subdivision (b) is being applied shall include, in that computation, only General Fund revenues for that fiscal year that are the proceeds of taxes, as defined in subdivision (c) of Section 8 of Article XIII B of the California Constitution, and shall not include prior fiscal year revenues. Commencing with the 1995-96 fiscal year, and each fiscal year thereafter, "General Fund revenues that are the proceeds of taxes," as defined in subdivision (c) of Section 8 of Article XIII B of the California Constitution, includes any portion of the proceeds of taxes received from the state sales tax that are transferred to the counties pursuant to, and only if, legislation is enacted during the 1995–96 fiscal year the purpose of which is to realign children's programs. The amount of the proceeds of taxes shall be computed for any fiscal year in a manner consistent with the manner in which the amount of the proceeds of taxes was

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computed by the Department of Finance for purposes of the Governor's Budget for the Budget Act of 1986.

- (c) "General Fund revenues appropriated for school districts," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to school districts, as defined in Section 41302.5, regardless of whether those appropriations were made from the General Fund to the Superintendent, to the Controller, or to any other fund or state agency for the purpose of allocation to school districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (1) of subdivision (b) of Article XVI, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.
- (d) "General Fund revenues appropriated for community college districts," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to community college districts, regardless of whether those appropriations were made from the General Fund to the Controller, to the Chancellor of the California Community Colleges, or to any other fund or state agency for the purpose of allocation to community college districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (1) of subdivision (b) of Article XVI, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.
- (e) "Total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to school districts, as defined in Section 41302.5, and community college districts, regardless of whether those appropriations were made from the General Fund to the Controller, to the Superintendent, to the Chancellor of the California Community Colleges, or to any other fund or state agency for the purpose of allocation to school districts and community college districts. The

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full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.

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- (f) "General Fund revenues appropriated for school districts and community college districts, respectively" and "moneys to be applied by the state for the support of school districts and community college districts," as used in Section 8 of Article XVI of the California Constitution, shall include funds appropriated for part-day California state preschool programs under Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of Title 1, and the After School Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1, and shall not include any of the following:
- (1) Any appropriation that is not made for allocation to a school district, as defined in Section 41302.5, or to a community college district, regardless of whether the appropriation is made for any purpose that may be considered to be for the benefit to a school district, as defined in Section 41302.5, or a community college district. This paragraph shall not be construed to exclude any funding appropriated for part-day California state preschool programs under Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of Title 1 or the After School Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1.
- (2) Any appropriation made to the Teachers' Retirement Fund or to the Public Employees' Retirement Fund except those appropriations for reimbursable state mandates imposed on or before January 1, 1988.
- (3) Any appropriation made to service any public debt approved by the voters of this state.
- (4) With the exception of the programs identified in paragraph (1), commencing with the 2011–12 fiscal year, any funds appropriated for the Child Care and Development Services Act, pursuant to Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1.

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(g) "Allocated local proceeds of taxes," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means, for school districts as defined, those local revenues, except revenues identified pursuant to paragraph (5) of subdivision (h) of Section 42238, that are used to offset state aid for school districts in calculations performed pursuant to Sections 2558, 42238, and Chapter 7.2 (commencing with Section 56836) of Part 30.

- (h) "Allocated local proceeds of taxes," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means, for community college districts, those local revenues that are used to offset state aid for community college districts in calculations performed pursuant to Section 84700. In no event shall the revenues or receipts derived from student fees be considered "allocated local proceeds of taxes."
- (i) For purposes of calculating the 4-percent entitlement pursuant to subdivision (a) of Section 8.5 of Article XVI of the California Constitution, "the total amount required pursuant to Section 8(b)" shall mean the General Fund aid required for schools pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution, and shall not include allocated local proceeds of taxes.
- (j) This section shall become inoperative on December 15, 2012, and, as of January 1, 2013, is repealed, only if the Schools and Local Public Safety Protection Act of 2012 (Attorney General reference number 12-0009) is not approved by the voters at the November 6, 2012, statewide general election, or if the provisions of that act that modify personal income tax rates do not become operative due to a conflict with another initiative measure that is approved at the same election and receives a greater number of affirmative votes.
- (k) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 22. Section 41202 is added to the Education Code, to read:
- 41202. The words and phrases set forth in subdivision (b) of Section 8 of Article XVI of the Constitution of the State of California shall have the following meanings:

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(a) "Moneys to be applied by the State," as used in subdivision (b) of Section 8 of Article XVI of the California Constitution, means appropriations from the General Fund that are made for allocation to school districts, as defined, or community college districts. An appropriation that is withheld, impounded, or made without provisions for its allocation to school districts or community college districts, shall not be considered to be "moneys to be applied by the State."

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(b) "General Fund revenues which may be appropriated pursuant to Article XIIIB," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI, means General Fund revenues that are the proceeds of taxes as defined by subdivision (c) of Section 8 of Article XIII B of the California Constitution, including, for the 1986-87 fiscal year only, any revenues that are determined to be in excess of the appropriations limit established pursuant to Article XIIIB for the fiscal year in which they are received. General Fund revenues for a fiscal year to which paragraph (1) of *subdivision (b) is being applied shall include, in that computation,* only General Fund revenues for that fiscal year that are the proceeds of taxes, as defined in subdivision (c) of Section 8 of Article XIIIB of the California Constitution, and shall not include prior fiscal year revenues. Commencing with the 1995–96 fiscal year, and each fiscal year thereafter, "General Fund revenues that are the proceeds of taxes," as defined in subdivision (c) of Section 8 of Article XIIIB of the California Constitution, includes any portion of the proceeds of taxes received from the state sales tax that are transferred to the counties pursuant to, and only if, legislation is enacted during the 1995–96 fiscal year the purpose of which is to realign children's programs. The amount of the proceeds of taxes shall be computed for any fiscal year in a manner consistent with the manner in which the amount of the proceeds of taxes was computed by the Department of Finance for purposes of the Governor's Budget for the Budget Act of 1986.

(c) "General Fund revenues appropriated for school districts," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to school districts, as defined in Section 41302.5, regardless of whether those appropriations were made from the General Fund to the Superintendent, to the Controller, or to any other fund or state

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agency for the purpose of allocation to school districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (1) of subdivision (b) of Article XVI, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.

- (d) "General Fund revenues appropriated for community college districts," as used in paragraph (1) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to community college districts, regardless of whether those appropriations were made from the General Fund to the Controller, to the Chancellor of the California Community Colleges, or to any other fund or state agency for the purpose of allocation to community college districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (1) of subdivision (b) of Article XVI, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.
- (e) "Total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIIIB," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means the sum of appropriations made that are for allocation to school districts, as defined in Section 41302.5, and community college districts, regardless of whether those appropriations were made from the General Fund to the Controller, to the Superintendent, to the Chancellor of the California Community Colleges, or to any other fund or state agency for the purpose of allocation to school districts and community college districts. The full amount of any appropriation shall be included in the calculation of the percentage required by paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI, without regard to any unexpended balance of any appropriation. Any reappropriation of funds appropriated in any prior year shall not be included in the sum of appropriations.
- (f) "General Fund revenues appropriated for school districts and community college districts, respectively" and "moneys to be applied by the state for the support of school districts and

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community college districts," as used in Section 8 of Article XVI of the California Constitution, shall include funds appropriated for part-day California state preschool programs under Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of Title 1, and the After School Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1, and shall not include any of the following:

- (1) Any appropriation that is not made for allocation to a school district, as defined in Section 41302.5, or to a community college district, regardless of whether the appropriation is made for any purpose that may be considered to be for the benefit to a school district, as defined in Section 41302.5, or a community college district. This paragraph shall not be construed to exclude any funding appropriated for part-day California state preschool programs under Article 7 (commencing with Section 8235) of Chapter 2 of Part 6 of Division 1 of Title 1 or the After School Education and Safety Program established pursuant to Article 22.5 (commencing with Section 8482) of Chapter 2 of Part 6 of Division 1 of Title 1.
- (2) Any appropriation made to the Teachers' Retirement Fund or to the Public Employees' Retirement Fund except those appropriations for reimbursable state mandates imposed on or before January 1, 1988.
- (3) Any appropriation made to service any public debt approved by the voters of this state.
- (4) With the exception of the programs identified in paragraph (1), commencing with the 2011–12 fiscal year, any funds appropriated for the Child Care and Development Services Act, pursuant to Chapter 2 (commencing with Section 8200) of Part 6 of Division 1 of Title 1.
- (g) "Allocated local proceeds of taxes," as used in paragraph (2) or (3) of subdivision (b) of Section 8 of Article XVI of the California Constitution, means, for school districts as defined, those local revenues, except revenues identified pursuant to paragraph (5) of subdivision (i) of Section 42238.02, that are used to offset state aid for school districts in calculations performed pursuant to Sections 2575, 42238.02, and Chapter 7.2 (commencing with Section 56836) of Part 30 of Division 4.

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(h) "Allocated local proceeds of taxes," as used in paragraph 2 (2) or (3) of subdivision (b) of Section 8 of Article XVI of the 3 California Constitution, means, for community college districts, 4 those local revenues that are used to offset state aid for community college districts. In no event shall the revenues or receipts derived from student fees be considered "allocated local proceeds of 6 taxes."

- (i) For purposes of calculating the 4-percent entitlement pursuant to subdivision (a) of Section 8.5 of Article XVI of the California Constitution, "the total amount required pursuant to *Section 8(b)" shall mean the General Fund aid required for schools* pursuant to subdivision (b) of Section 8 of Article XVI of the California Constitution, and shall not include allocated local proceeds of taxes.
  - (j) This section shall become operative on July 1, 2014.
- SEC. 23. Section 42127 of the Education Code is amended to read:
- 42127. (a) On or before July 1 of each year, the governing board of each school district shall accomplish the following:
- (1) Hold a public hearing on the budget to be adopted for the subsequent fiscal year. The budget to be adopted shall be prepared in accordance with Section 42126. The agenda for that hearing shall be posted at least 72 hours before the public hearing and shall include the location where the budget will be available for public inspection.
- (A) For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, each school district budget shall project the same level of revenue per unit of average daily attendance as it received in the 2010–11 fiscal year and shall maintain staffing and program levels commensurate with that level.
- (B) For the 2011–12 fiscal year, the school district shall not be required to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years.
- (2) Adopt a budget. Not later than five days after that adoption or by July 1, whichever occurs first, the governing board of the school district shall file that budget with the county superintendent of schools. That budget and supporting data shall be maintained and made available for public review. If the governing board of the school district does not want all or a portion of the property

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tax requirement levied for the purpose of making payments for the interest and redemption charges on indebtedness as described in paragraph (1) or (2) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, the budget shall include a statement of the amount or portion for which a levy shall not be made.

- (b) The county superintendent of schools may accept changes in any statement included in the budget, pursuant to subdivision (a), of the amount or portion for which a property tax levy shall not be made. The county superintendent of schools or the county auditor shall compute the actual amounts to be levied on the property tax rolls of the school district for purposes that exceed apportionments to the school district pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code. Each school district shall provide all data needed by the county superintendent of schools or the county auditor to compute the amounts. On or before August 15, the county superintendent of schools shall transmit the amounts computed to the county auditor who shall compute the tax rates necessary to produce the amounts. On or before September 1, the county auditor shall submit the rate computed to the board of supervisors for adoption.
- (c) The county superintendent of schools shall do all of the following:
- (1) Examine the adopted budget to determine whether it complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets. The county superintendent of schools shall identify, if necessary, technical corrections that are required to be made to bring the budget into compliance with those standards and criteria.
- (2) Determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. In addition to his or her own analysis of the budget of each school district, the county superintendent of schools shall review and consider studies, reports, evaluations, or audits of the school district that were commissioned by the school district, the county superintendent of schools, the Superintendent, and state control agencies and that contain

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1 evidence that the school district is showing fiscal distress under 2 the standards and criteria adopted in Section 33127 or that contain 3 a finding by an external reviewer that more than three of the 15 4 most common predictors of a school district needing intervention, 5 as determined by the County Office Fiscal Crisis and Management 6 Assistance Team, are present. The county superintendent of schools 7 shall either conditionally approve or disapprove a budget that does 8 not provide adequate assurance that the school district will meet its current and future obligations and resolve any problems 10 identified in studies, reports, evaluations, or audits described in 11 this paragraph. 12

(d) On or before August 15, the county superintendent of schools shall approve, conditionally approve, or disapprove the adopted budget for each school district. If a school district does not submit a budget to the county superintendent of schools, the county superintendent of schools shall develop, at school district expense, a budget for that school district by September 15 and transmit that budget to the governing board of the school district. The budget prepared by the county superintendent of schools shall be deemed adopted, unless the county superintendent of schools approves any modifications made by the governing board of the school district. The approved budget shall be used as a guide for the school district's priorities. The Superintendent shall review and certify the budget approved by the county. If, pursuant to the review conducted pursuant to subdivision (c), the county superintendent of schools determines that the adopted budget for a school district does not satisfy paragraph (1) or (2) of that subdivision, he or she shall conditionally approve or disapprove the budget and, not later than August 15, transmit to the governing board of the school district, in writing, his or her recommendations regarding revision of the budget and the reasons for those recommendations, including, but not limited to, the amounts of any budget adjustments needed before he or she can approve that budget. The county superintendent of schools may assign a fiscal adviser to assist the school district to develop a budget in compliance with those revisions. In addition, the county superintendent of schools may appoint a committee to examine and comment on the superintendent's review and recommendations, subject to the requirement that the committee report its findings to the county superintendent of schools no later than August 20. For the 2011–12

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fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, the county superintendent of schools, as a condition on approval of a school district budget, shall not require a school district to project a lower level of revenue per unit of average daily attendance than it received in the 2010–11 fiscal year nor require the school district to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years.

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- (e) On or before September 8, the governing board of the school district shall revise the adopted budget to reflect changes in projected income or expenditures subsequent to July 1, and to include any response to the recommendations of the county superintendent of schools, shall adopt the revised budget, and shall file the revised budget with the county superintendent of schools. Before revising the budget, the governing board of the school district shall hold a public hearing regarding the proposed revisions, to be conducted in accordance with Section 42103. In addition, if the adopted budget is disapproved pursuant to subdivision (d), the governing board of the school district and the county superintendent of schools shall review the disapproval and the recommendations of the county superintendent of schools regarding revision of the budget at the public hearing. The revised budget and supporting data shall be maintained and made available for public review.
- (1) For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, each school district budget shall project the same level of revenue per unit of average daily attendance as it received in the 2010–11 fiscal year and shall maintain staffing and program levels commensurate with that level.
- (2) For the 2011–12 fiscal year, the school district shall not be required to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years.
- (f) On or before September 22, the county superintendent of schools shall provide a list to the Superintendent identifying all school districts for which budgets may be disapproved.
- (g) The county superintendent of schools shall examine the revised budget to determine whether it (1) complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets,

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1 (2) allows the school district to meet its financial obligations during 2 the fiscal year, (3) satisfies all conditions established by the county 3 superintendent of schools in the case of a conditionally approved 4 budget, and (4) is consistent with a financial plan that will enable 5 the school district to satisfy its multiyear financial commitments, 6 and, not later than October 8, shall approve or disapprove the 7 revised budget. If the county superintendent of schools disapproves 8 the budget, he or she shall call for the formation of a budget review 9 committee pursuant to Section 42127.1, unless the governing board 10 of the school district and the county superintendent of schools 11 agree to waive the requirement that a budget review committee be 12 formed and the department approves the waiver after determining 13 that a budget review committee is not necessary. Upon the grant 14 of a waiver, the county superintendent of schools immediately has 15 the authority and responsibility provided in Section 42127.3. Upon approving a waiver of the budget review committee, the department 16 17 shall ensure that a balanced budget is adopted for the school district 18 by November 30. If no budget is adopted by November 30, the 19 Superintendent may adopt a budget for the school district. The Superintendent shall report to the Legislature and the Director of 20 21 Finance by December 10 if any school district, including a school 22 district that has received a waiver of the budget review committee 23 process, does not have an adopted budget by November 30. This 24 report shall include the reasons why a budget has not been adopted 25 by the deadline, the steps being taken to finalize budget adoption, 26 the date the adopted budget is anticipated, and whether the 27 Superintendent has or will exercise his or her authority to adopt a 28 budget for the school district. For the 2011–12 fiscal year, 29 notwithstanding any of the standards and criteria adopted by the 30 state board pursuant to Section 33127, the county superintendent 31 of schools, as a condition on approval of a school district budget, 32 shall not require a school district to project a lower level of revenue 33 per unit of average daily attendance than it received in the 2010–11 34 fiscal year nor require the school district to demonstrate that it is 35 able to meet its financial obligations for the two subsequent fiscal 36 years. 37

(h) Not later than October 8, the county superintendent of schools shall submit a report to the Superintendent identifying all school districts for which budgets have been disapproved or budget review committees waived. The report shall include a copy of the

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written response transmitted to each of those school districts pursuant to subdivision (d).

- (i) Notwithstanding any other provision of this section, the budget review for a school district shall be governed by paragraphs (1), (2), and (3), rather than by subdivisions (e) and (g), if the governing board of the school district so elects and notifies the county superintendent of schools in writing of that decision, not later than October 31 of the immediately preceding calendar year. On or before July 1, the governing board of a school district for which the budget review is governed by this subdivision, rather than by subdivisions (e) and (g), shall conduct a public hearing regarding its proposed budget in accordance with Section 42103.
- (1) If the adopted budget of a school district is disapproved pursuant to subdivision (d), on or before September 8, the governing board of the school district, in conjunction with the county superintendent of schools, shall review the superintendent's recommendations at a regular meeting of the governing board of the school district and respond to those recommendations. The response shall include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.
- (2) On or before September 22, the county superintendent of schools shall provide a list to the Superintendent identifying all school districts for which a budget may be tentatively disapproved.
- (3) Not later than October 8, after receiving the response required under paragraph (1), the county superintendent of schools shall review that response and either approve or disapprove the budget. If the county superintendent of schools disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 42127.1, unless the governing board of the school district and the county superintendent of schools agree to waive the requirement that a budget review committee be formed and the department approves the waiver after determining that a budget review committee is not necessary. Upon the grant of a waiver, the county superintendent has the authority and responsibility provided to a budget review committee in Section 42127.3. Upon approving a waiver of the budget review committee, the department shall ensure that a balanced budget is adopted for the school district by November 30. The Superintendent shall report to the Legislature and the Director of Finance by December

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10 if any school district, including a school district that has received a waiver of the budget review committee process, does not have an adopted budget by November 30. This report shall include the reasons why a budget has not been adopted by the deadline, the steps being taken to finalize budget adoption, and the date the adopted budget is anticipated. For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, the county superintendent of schools, as a condition on approval of a school district budget, shall not require a school district to project a lower level of revenue per unit of average daily attendance than it received in the 2010–11 fiscal year nor require the school district to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal vears.

- (4) Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.
- (j) Any school district for which the county board of education serves as the governing board of the school district is not subject to subdivisions (c) to (h), inclusive, but is governed instead by the budget procedures set forth in Section 1622.
- (k) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 24. Section 42127 is added to the Education Code, to
- 42127. (a) On or before July 1 of each year, the governing board of each school district shall accomplish the following:
- (1) Hold a public hearing on the budget to be adopted for the subsequent fiscal year. The budget to be adopted shall be prepared in accordance with Section 42126. The agenda for that hearing shall be posted at least 72 hours before the public hearing and shall include the location where the budget will be available for public inspection.
- (A) For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, each school district budget shall project the same

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level of revenue per unit of average daily attendance as it received in the 2010–11 fiscal year and shall maintain staffing and program levels commensurate with that level.

- (B) For the 2011–12 fiscal year, the school district shall not be required to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years.
- (2) Adopt a budget and take action on a local control and accountability plan pursuant to Sections 52060 and 52064. Not later than five days after that adoption or by July 1, whichever occurs first, the governing board of the school district shall file that budget with the county superintendent of schools. The budget, the local control and accountability plan, and supporting data shall be maintained and made available for public review. If the governing board of the school district does not want all or a portion of the property tax requirement levied for the purpose of making payments for the interest and redemption charges on indebtedness as described in paragraph (1) or (2) of subdivision (b) of Section 1 of Article XIIIA of the California Constitution, the budget shall include a statement of the amount or portion for which a levy shall not be made. For the 2015–16 fiscal year and each fiscal year thereafter, the governing board of the school district shall not adopt a budget before the governing board of the school district adopts a local control and accountability plan or approves an update to an existing local control and accountability plan pursuant to Sections 52060 and 52064. The governing board of a school district shall not adopt a budget that does not align with the local control and accountability plan that applies to the subsequent fiscal year.
- (b) The county superintendent of schools may accept changes in any statement included in the budget, pursuant to subdivision (a), of the amount or portion for which a property tax levy shall not be made. The county superintendent of schools or the county auditor shall compute the actual amounts to be levied on the property tax rolls of the school district for purposes that exceed apportionments to the school district pursuant to Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code. Each school district shall provide all data needed by the county superintendent of schools or the county auditor to compute the amounts. On or before August 15, the county superintendent of schools shall transmit the amounts

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computed to the county auditor who shall compute the tax rates necessary to produce the amounts. On or before September 1, the county auditor shall submit the rate computed to the board of supervisors for adoption.

- (c) The county superintendent of schools shall do all of the following:
- (1) Examine the adopted budget to determine whether it complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets. The county superintendent of schools shall identify, if necessary, technical corrections that are required to be made to bring the budget into compliance with those standards and criteria.
- (2) Determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. In addition to his or her own analysis of the budget of each school district, the county superintendent of schools shall review and consider studies, reports, evaluations, or audits of the school district that were commissioned by the school district, the county superintendent of schools, the Superintendent, and state control agencies and that contain evidence that the school district is showing fiscal distress under the standards and criteria adopted in Section 33127 or that contain a finding by an external reviewer that more than three of the 15 most common predictors of a school district needing intervention, as determined by the County Office Fiscal Crisis and Management Assistance Team, are present. The county superintendent of schools shall either conditionally approve or disapprove a budget that does not provide adequate assurance that the school district will meet its current and future obligations and resolve any problems identified in studies, reports, evaluations, or audits described in this paragraph.
- (3) Determine whether the adopted budget will allow the school district to implement the specific actions and strategies included in the local control and accountability plan adopted by the governing board of the school district pursuant to Section 52060 and 52064.
- (d) On or before August 15, the county superintendent of schools shall approve, conditionally approve, or disapprove the adopted

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budget for each school district. For the 2015–16 fiscal year and 1 2 each fiscal year thereafter, the county superintendent of schools 3 shall disapprove a budget if a school district does not file a local 4 control and accountability plan with the county superintendent of 5 schools, if the Superintendent determines that a local control and 6 accountability plan filed does not adhere to the template adopted 7 by the state board pursuant to Section 52066 or does not include 8 all of the components identified in subdivision (a) of Section 52064, 9 or if the county superintendent of schools determines that the 10 expenditures included in the budget do not reflect the costs 11 necessary to implement the plan. If a school district does not submit 12 a budget to the county superintendent of schools, the county 13 superintendent of schools shall develop, at school district expense, a budget for that school district by September 15 and transmit that 14 15 budget to the governing board of the school district. The budget 16 prepared by the county superintendent of schools shall be deemed 17 adopted, unless the county superintendent of schools approves any 18 modifications made by the governing board of the school district. 19 The approved budget shall be used as a guide for the school 20 district's priorities. The Superintendent shall review and certify the budget approved by the county. If, pursuant to the review 21 22 conducted pursuant to subdivision (c), the county superintendent 23 of schools determines that the adopted budget for a school district 24 does not satisfy paragraph (1) or (2) of that subdivision, he or she 25 shall conditionally approve or disapprove the budget and, not later 26 than August 15, transmit to the governing board of the school 27 district, in writing, his or her recommendations regarding revision 28 of the budget and the reasons for those recommendations, 29 including, but not limited to, the amounts of any budget adjustments 30 needed before he or she can approve that budget. The county 31 superintendent of schools may assign a fiscal adviser to assist the 32 school district to develop a budget in compliance with those 33 revisions. In addition, the county superintendent of schools may 34 appoint a committee to examine and comment on the 35 superintendent's review and recommendations, subject to the 36 requirement that the committee report its findings to the county 37 superintendent of schools no later than August 20. For the 2011–12 38 fiscal year, notwithstanding any of the standards and criteria 39 adopted by the state board pursuant to Section 33127, the county 40 superintendent of schools, as a condition on approval of a school

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district budget, shall not require a school district to project a lower level of revenue per unit of average daily attendance than it received in the 2010–11 fiscal year nor require the school district to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years.

- (e) On or before September 8, the governing board of the school district shall revise the adopted budget to reflect changes in projected income or expenditures subsequent to July 1, and to include any response to the recommendations of the county superintendent of schools, shall adopt the revised budget, and shall file the revised budget with the county superintendent of schools. Before revising the budget, the governing board of the school district shall hold a public hearing regarding the proposed revisions, to be conducted in accordance with Section 42103. In addition, if the adopted budget is disapproved pursuant to subdivision (d), the governing board of the school district and the county superintendent of schools shall review the disapproval and the recommendations of the county superintendent of schools regarding revision of the budget at the public hearing. The revised budget and supporting data shall be maintained and made available for public review.
- (1) For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, each school district budget shall project the same level of revenue per unit of average daily attendance as it received in the 2010–11 fiscal year and shall maintain staffing and program levels commensurate with that level.
- (2) For the 2011–12 fiscal year, the school district shall not be required to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years.
- (f) On or before September 22, the county superintendent of schools shall provide a list to the Superintendent identifying all school districts for which budgets may be disapproved.
- (g) The county superintendent of schools shall examine the revised budget to determine whether it (1) complies with the standards and criteria adopted by the state board pursuant to Section 33127 for application to final local educational agency budgets, (2) allows the school district to meet its financial obligations during the fiscal year, (3) satisfies all conditions established by the county superintendent of schools in the case of

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a conditionally approved budget, and (4) is consistent with a 1 2 financial plan that will enable the school district to satisfy its 3 multiyear financial commitments, and, not later than October 8, 4 shall approve or disapprove the revised budget. If the county 5 superintendent of schools disapproves the budget, he or she shall 6 call for the formation of a budget review committee pursuant to 7 Section 42127.1, unless the governing board of the school district 8 and the county superintendent of schools agree to waive the 9 requirement that a budget review committee be formed and the 10 department approves the waiver after determining that a budget 11 review committee is not necessary. Upon the grant of a waiver, 12 the county superintendent of schools immediately has the authority and responsibility provided in Section 42127.3. Upon approving 13 14 a waiver of the budget review committee, the department shall 15 ensure that a balanced budget is adopted for the school district 16 by November 30. If no budget is adopted by November 30, the 17 Superintendent may adopt a budget for the school district. The 18 Superintendent shall report to the Legislature and the Director of 19 Finance by December 10 if any school district, including a school 20 district that has received a waiver of the budget review committee 21 process, does not have an adopted budget by November 30. This 22 report shall include the reasons why a budget has not been adopted 23 by the deadline, the steps being taken to finalize budget adoption, 24 the date the adopted budget is anticipated, and whether the 25 Superintendent has or will exercise his or her authority to adopt 26 a budget for the school district. For the 2011–12 fiscal year, 27 notwithstanding any of the standards and criteria adopted by the 28 state board pursuant to Section 33127, the county superintendent 29 of schools, as a condition on approval of a school district budget, 30 shall not require a school district to project a lower level of 31 revenue per unit of average daily attendance than it received in 32 the 2010–11 fiscal year nor require the school district to 33 demonstrate that it is able to meet its financial obligations for the 34 two subsequent fiscal years. 35

(h) Not later than October 8, the county superintendent of schools shall submit a report to the Superintendent identifying all school districts for which budgets have been disapproved or budget review committees waived. The report shall include a copy of the written response transmitted to each of those school districts pursuant to subdivision (d).

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(i) Notwithstanding any other provision of this section, the budget review for a school district shall be governed by paragraphs (1), (2), and (3), rather than by subdivisions (e) and (g), if the governing board of the school district so elects and notifies the county superintendent of schools in writing of that decision, not later than October 31 of the immediately preceding calendar year. On or before July 1, the governing board of a school district for which the budget review is governed by this subdivision, rather than by subdivisions (e) and (g), shall conduct a public hearing regarding its proposed budget in accordance with Section 42103.

- (1) If the adopted budget of a school district is disapproved pursuant to subdivision (d), on or before September 8, the governing board of the school district, in conjunction with the county superintendent of schools, shall review the superintendent's recommendations at a regular meeting of the governing board of the school district and respond to those recommendations. The response shall include any revisions to the adopted budget and other proposed actions to be taken, if any, as a result of those recommendations.
- (2) On or before September 22, the county superintendent of schools shall provide a list to the Superintendent identifying all school districts for which a budget may be tentatively disapproved.
- (3) Not later than October 8, after receiving the response required under paragraph (1), the county superintendent of schools shall review that response and either approve or disapprove the budget. If the county superintendent of schools disapproves the budget, he or she shall call for the formation of a budget review committee pursuant to Section 42127.1, unless the governing board of the school district and the county superintendent of schools agree to waive the requirement that a budget review committee be formed and the department approves the waiver after determining that a budget review committee is not necessary. Upon the grant of a waiver, the county superintendent has the authority and responsibility provided to a budget review committee in Section 42127.3. Upon approving a waiver of the budget review committee, the department shall ensure that a balanced budget is adopted for the school district by November 30. The Superintendent shall report to the Legislature and the Director of Finance by December 10 if any school district, including a school district that has received a waiver of the budget review committee process, does not have an

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adopted budget by November 30. This report shall include the 1 2 reasons why a budget has not been adopted by the deadline, the 3 steps being taken to finalize budget adoption, and the date the 4 adopted budget is anticipated. For the 2011–12 fiscal year, notwithstanding any of the standards and criteria adopted by the state board pursuant to Section 33127, the county superintendent 7 of schools, as a condition on approval of a school district budget, 8 shall not require a school district to project a lower level of revenue per unit of average daily attendance than it received in 10 the 2010–11 fiscal year nor require the school district to 11 demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years. 12 13

(4) Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

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- (j) Any school district for which the county board of education serves as the governing board of the school district is not subject to subdivisions (c) to (h), inclusive, but is governed instead by the budget procedures set forth in Section 1622.
  - (k) This section shall become operative on July 1, 2014.
- SEC. 25. Section 42238 of the Education Code is amended to read:
- 42238. (a) For the 1984–85 fiscal year and each fiscal year thereafter, the county superintendent of schools shall determine a revenue limit for each school district in the county pursuant to this section.
- (b) The base revenue limit for a fiscal year shall be determined by adding to the base revenue limit for the prior fiscal year the following amounts:
  - (1) The inflation adjustment specified in Section 42238.1.
- (2) For the 1995–96 fiscal year, the equalization adjustment specified in Section 42238.4.
- (3) For the 1996–97 fiscal year, the equalization adjustments specified in Sections 42238.41, 42238.42, and 42238.43.
- 37 (4) For the 1985–86 fiscal year, the amount per unit of average 38 daily attendance received in the 1984–85 fiscal year pursuant to 39 Section 42238.7.

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(5) For the 1985–86, 1986–87, and 1987–88 fiscal years, the amount per unit of average daily attendance received in the prior fiscal year pursuant to Section 42238.8.

- (6) For the 2004–05 fiscal year, the equalization adjustment specified in Section 42238.44.
- (7) For the 2006–07 fiscal year, the equalization adjustment specified in Section 42238.48.
- (8) For the 2011–12 fiscal year, the equalization adjustment specified in Section 42238.49.
- (c) (1) (A) For the 2010–11 fiscal year, the Superintendent shall compute an add-on for each school district by adding the inflation adjustment specified in Section 42238.1 to the adjustment specified in Section 42238.485.
- (B) For the 2011–12 fiscal year and each fiscal year thereafter, the Superintendent shall compute an add-on for each school district by adding the inflation adjustment specified in Section 42238.1 to the amount computed pursuant to this paragraph for the prior fiscal year.
- (2) Commencing with the 2010–11 fiscal year, the Superintendent shall compute an add-on for each school district by dividing each school district's fiscal year average daily attendance computed pursuant to Section 42238.5 by the total adjustments in funding for each district made for the 2007–08 fiscal year pursuant to Section 42238.22 as it read on January 1, 2009.
- (d) The sum of the base revenue limit computed pursuant to subdivision (b) and the add-on computed pursuant to subdivision (c) shall be multiplied by the district average daily attendance computed pursuant to Section 42238.5.
- (e) For districts electing to compute units of average daily attendance pursuant to paragraph (2) of subdivision (a) of Section 42238.5, the amount computed pursuant to Article 4 (commencing with Section 42280) shall be added to the amount computed in subdivision (c) or (d), as appropriate.
- (f) For the 1984–85 fiscal year only, the county superintendent shall reduce the total revenue limit computed in this section by the amount of the decreased employer contributions to the Public Employees' Retirement System resulting from enactment of Chapter 330 of the Statutes of 1982, offset by any increase in those

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contributions, as of the 1983–84 fiscal year, resulting from subsequent changes in employer contribution rates.

- (g) The reduction required by subdivision (f) shall be calculated as follows:
- (1) Determine the amount of employer contributions that would have been made in the 1983–84 fiscal year if the applicable Public Employees' Retirement System employer contribution rate in effect immediately before the enactment of Chapter 330 of the Statutes of 1982 was in effect during the 1983–84 fiscal year.
- (2) Subtract from the amount determined in paragraph (1) the greater of subparagraph (A) or (B):
- (A) The amount of employer contributions that would have been made in the 1983–84 fiscal year if the applicable Public Employees' Retirement System employer contribution rate in effect immediately after the enactment of Chapter 330 of the Statutes of 1982 was in effect during the 1983–84 fiscal year.
- (B) The actual amount of employer contributions made to the Public Employees' Retirement System in the 1983–84 fiscal year.
- (3) For purposes of this subdivision, employer contributions to the Public Employees' Retirement System for either of the following shall be excluded from the calculation specified above:
- (A) Positions supported totally by federal funds that were subject to supplanting restrictions.
- (B) Positions supported, to the extent of employer contributions not exceeding twenty-five thousand dollars (\$25,000) by a single educational agency, from a revenue source determined on the basis of equity to be properly excludable from the provisions of this subdivision by the Superintendent with the approval of the Director of Finance.
- (4) For accounting purposes, the reduction made by this subdivision may be reflected as an expenditure from appropriate sources of revenue as directed by the Superintendent.
- (h) The Superintendent shall apportion to each school district the amount determined in this section less the sum of:
- (1) The district's property tax revenue received pursuant to Chapter 3.5 (commencing with Section 75) and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code.

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(2) The amount, if any, received pursuant to Part 18.5 (commencing with Section 38101) of Division 2 of the Revenue and Taxation Code.

- (3) The amount, if any, received pursuant to Chapter 3 (commencing with Section 16140) of Part 1 of Division 4 of Title 2 of the Government Code.
  - (4) Prior years' taxes and taxes on the unsecured roll.
- (5) Fifty percent of the amount received pursuant to Section 41603.
- (6) (A) The amount, if any, received pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code), except for any amount received pursuant to Section 33401 or 33676 of the Health and Safety Code that is used for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance, except for any amount received pursuant to Section 33492.15 of, paragraph (4) of subdivision (a) of Section 33607.5 of, or Section 33607.7 of, the Health and Safety Code that is allocated exclusively for educational facilities.
- (B) The amount, if any, received pursuant to Sections 34177, 34179.5, 34179.6, and 34188 of the Health and Safety Code.
- (C) The amount, if any, received pursuant to subparagraph (B) of paragraph (3) of subdivision (e) of Section 36 of Article XIII of the California Constitution.
- (7) For a unified school district, other than a unified school district that has converted all of its schools to charter status pursuant to Section 47606, the amount of statewide average general-purpose funding per unit of average daily attendance received by school districts for each of four grade level ranges, as computed by the department pursuant to Section 47633, multiplied by the average daily attendance, in corresponding grade level ranges, of any pupils who attend charter schools funded pursuant to Chapter 6 (commencing with Section 47630) of Part 26.8 of Division 4 for which the school district is the sponsoring local educational agency, as defined in Section 47632, and who reside in and would otherwise have been eligible to attend a noncharter school of the school district.
- (i) A transfer of pupils of grades 7 and 8 between an elementary school district and a high school district shall not result in the receiving school district receiving a revenue limit apportionment

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for those pupils that exceeds 105 percent of the statewide average revenue limit for the type and size of the receiving school district.

- (j) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 26. Section 42238.01 is added to the Education Code, to read:
- 42238.01. It is the intent of the Legislature to do all of the following:
- (a) Phase in implementation of the local control funding formula, as specified in AB 88 of the 2013–14 Regular Session, as amended April 3, 2013, in a manner and on a timeline that allows the state to restore local educational agency funding levels to those that existed before state budget cuts that were imposed starting in the 2008–09 fiscal year.
- (b) Redirect the dollar amounts that have been proposed for concentration grants to instead increase both base grants and supplemental grants, in proportions to be determined.
- (c) Require that the adjustment for grades 9 to 12, inclusive, as described in paragraph (4) of subdivision (d) of Section 42238.02 be spent on programs that prepare pupils for college and career. It is further the intent of the Legislature to consider other incentives for schools to continue successful career preparation programs, including the possible maintenance of existing categorical and competitive grant programs.
- (d) Require that funds allocated based on the current home-to-school transportation formula be spent on home-to-school transportation. It is further the intent of the Legislature, as increased funding allows, to adjust those allocations across school districts until all school districts are funded equitably, at a percentage of allowable costs to be determined.
- (e) Consider remedies for other funding allocations that are distributed according to inequitable, historically-based formulas.
- (f) Provide some level of supplemental support for English learner pupils beyond the five-year limit proposed in paragraph (2) of subdivision (b) of Section 42238.02. It is further the intent of the Legislature to ensure greater transparency in the provision of instruction and services for English learner pupils, such that

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1 strong local- and state-level oversight and accountability are 2 supported.

- (g) This section shall become operative on July 1, 2014.
- 4 SEC. 27. Section 42238.02 is added to the Education Code, to 5 read:
  - 42238.02. (a) The amount computed pursuant to this section shall be known as the school district and charter school local control funding formula.
  - (b) (1) For purposes of this section "unduplicated pupil" means a pupil enrolled in a school district or a charter school who is either classified as an English learner pursuant to Section 52164, as that section read on January 1, 2014, eligible to receive a free or reduced-price meal pursuant to Section 49552, as that section read on January 1, 2014, or is a foster youth pursuant to Sections 300 and 601 of the Welfare and Institutions Code. A pupil shall be counted only once for purposes of this section if any of the following apply:
  - (A) The pupil is classified as an English learner and is eligible for a free or reduced-price meal.
- 20 (B) The pupil is classified as an English learner and is a foster youth.
  - (C) The pupil is classified as a foster youth and is eligible for a free or reduced-price meal.
  - (D) The pupil is classified as an English learner, is eligible for a free or reduced-price meal, and is a foster youth.
  - (2) For purposes if this section, a pupil shall not be classified as an English learner for more than five school years in total.
  - (3) Commencing with the 2014–15 fiscal year, a school district or charter school shall annually report its enrolled unduplicated pupil, free and reduced-price meal eligibility, foster youth, and English learner pupil counts to the Superintendent.
  - (4) Commencing with the 2014–15 fiscal year, a county office of education shall review and validate reported English learner, foster youth, and free or reduced-price meal eligible pupil data for school districts and charter schools under their jurisdiction to ensure the data is reported accurately.
- 37 (5) The counts of unduplicated pupils shall be derived by the 38 Superintendent using the California Longitudinal Pupil 39 Achievement Data System.

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(6) The Superintendent shall calculate the percentage of unduplicated pupils for each school district and charter school by dividing the enrollment of unduplicated pupils in a school district or charter school by the total enrollment in that school district or charter school.

- (c) Commencing with the 2014–15 fiscal year and each fiscal year thereafter, the Superintendent shall annually calculate a local control funding formula grant for each school district and charter school in the state pursuant to this section.
- 10 (d) The Superintendent shall compute a grade span adjusted base grant equal to the total of the following amounts:
  - (1) For the 2014–15 fiscal year, a base grant of:

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- 13 (A) \_\_\_\_\_ dollars (\$\_\_\_\_) for average daily attendance in grades 9 to 12, inclusive. 14
  - (*B*) \_\_\_\_\_ dollars (\$\_\_\_\_) for average daily attendance in grades 7 and 8.
- dollars (\$\_\_\_\_) for average daily attendance in grades 17 (C)18 4 to 6, inclusive.
  - (D) \_\_\_\_ dollars (\$\_\_\_\_) for average daily attendance in kindergarten and grades 1 to 3, inclusive.
  - (2) In each year the grade span adjusted base grants in paragraph (1) shall be adjusted by the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year. This percentage change shall be determined using the latest data available as of May 10 of the preceding fiscal year compared with the annual average value of the same deflator for the 12-month period ending in the third quarter of the second preceding fiscal year, using the latest data available as of May 10 of the preceding fiscal year, as reported by the Department of Finance.
  - (3) (A) The Superintendent shall compute an additional adjustment to the kindergarten and grades 1 to 3, inclusive, base grant as adjusted for inflation pursuant to paragraph (2) equal to 11.23 percent. The additional grant shall be calculated by multiplying the kindergarten and grades 1 to 3, inclusive, base grant as adjusted by paragraph (2) by 11.23 percent.

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(B) Until paragraph (4) of subdivision (b) of Section 42238.03 is effective, as a condition of the receipt of funds in this paragraph, a school district shall make progress toward maintaining an annual average class size of not more than 24 pupils for each classroom per school site in kindergarten and grades 1 to 3, inclusive, unless a collectively bargained alternative annual average class size for each classroom per school site in those grades is agreed to by the school district, pursuant to the following calculation:

- (i) Determine a school district's annual average class size for each classroom per school site for kindergarten and grades 1 to 3, inclusive, in the prior year. For the 2014–15 fiscal year, this amount shall be the annual average class size for each classroom per school site for kindergarten and grades 1 to 3, inclusive, in the 2013–14 fiscal year.
- (ii) Determine a school district's percentage of total need pursuant to paragraph (2) of subdivision (b) of Section 42238.03.
- (iii) Determine the percentage of the need calculated in clause (ii) that is met by funding provided to the school district pursuant to paragraph (3) of subdivision (b) of Section 42238.03.
- (iv) Determine the difference between the amount computed pursuant to clause (i) and an annual average class size of not more than 24 pupils for each classroom per school site.
- (v) Calculate a current year annual average class size adjustment for each classroom per school site for kindergarten and grades 1 to 3, inclusive, equal to the adjustment calculated in clause (iv) multiplied by one minus the percentage determined pursuant to clause (iii).
- (C) School districts that have an annual average class size for each classroom per school site for kindergarten and grades 1 to 3, inclusive, of 24 pupils or less for each classroom per school site in the 2013–14 fiscal year, shall be exempt from the requirements of subparagraph (B) so long as the school district continues to maintain an annual average class size for each classroom per school site for kindergarten and grades 1 to 3, inclusive, of not more than 24 pupils in each classroom, unless a collectively bargained alternative ratio is agreed to by the school district.
- (D) Upon full implementation of the local control funding formula, as a condition of the receipt of funds in this paragraph, all school districts shall maintain an annual average class size for each classroom per school site for kindergarten and grades 1 to

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3, inclusive, of not more than 24 pupils for each classroom per school site in kindergarten and grades 1 to 3, inclusive, unless a collectively bargained alternative ratio is agreed to by the school district.

- (E) The annual average class size requirement for each classroom per school site for kindergarten and grades 1 to 3, inclusive, established pursuant to this paragraph shall not be subject to waiver by the state board pursuant to Section 33050 or by the Superintendent.
- (4) The Superintendent shall compute an additional adjustment to the base grant for grades 9 to 12, inclusive, as adjusted for inflation pursuant to paragraph (2), equal to 2.8 percent. The additional grant shall be calculated by multiplying the base grant for grades 9 to 12, inclusive, as adjusted by paragraph (2), by 2.8 percent.
- (e) The Superintendent shall compute a supplemental grant add-on equal to 35 percent of the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1) of subdivision (d), as adjusted by paragraph (2) of subdivision (d), for each school district or charter school percentage of unduplicated pupils. The supplemental grant shall be calculated by multiplying the base grants as specified in subparagraphs (A) to (D), inclusive, of paragraph (1), as adjusted by paragraph (2) of subdivision (d), by 35 percent and by the percentage of unduplicated pupils in that school district or charter school.
- (f) The Superintendent shall compute an add-on to the total sum of a school district's or charter school's base and supplemental grants equal to the amount of funding a school district or charter school received from funds allocated pursuant to the Targeted Instructional Improvement Block Grant program, as set forth in Article 6 (commencing with Section 41540) of Chapter 3.2, for the 2013–14 fiscal year, as that article read on January 1, 2014. A school district or charter school shall not receive a total funding amount from this add-on greater than the total amount of funding received by the school district or charter school from that program in the 2013–14 fiscal year.
- (g) The Superintendent shall compute an add-on to the total sum of a school district's or charter school's base and supplemental grants equal to the amount of funding a school district or charter school received from funds allocated pursuant

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to the Home-to-School Transportation program, as set forth in former Article 2 (commencing with Section 39820) of Chapter 1 of Part 23.5 and former Article 10 (commencing with Section 41850) of Chapter 5, for the 2013–14 fiscal year. A school district or charter school shall not receive a total funding amount from this add-on greater than the total amount received by the school district or charter school for that program in the 2013–14 fiscal year.

- (h) The sum of the local control funding formula rates computed pursuant to subdivisions (c) to (e), inclusive, shall be multiplied by:
- (1) For school districts, the average daily attendance of the school district in the corresponding grade level ranges computed pursuant to Section 42238.05.
- (2) For charter schools, the total current year average daily attendance in the corresponding grade level ranges.
- (i) Notwithstanding any other law, the Superintendent shall adjust the sum of each school district's or charter school's amount determined in subdivisions (f) to (h), inclusive, pursuant to the calculation specified in Section 42238.03, less the sum of the following:
- (1) (A) For school districts, the property tax revenue received pursuant to Chapter 3.5 (commencing with Section 75) and Chapter 6 (commencing with Section 95) of Part 0.5 of Division 1 of the Revenue and Taxation Code.
- (B) For charter schools, the in-lieu property tax amount provided to a charter school pursuant to Section 47635.
- (2) The amount, if any, received pursuant to Part 18.5 (commencing with Section 38101) of Division 2 of the Revenue and Taxation Code.
- (3) The amount, if any, received pursuant to Chapter 3 (commencing with Section 16140) of Part 1 of Division 4 of Title 2 of the Government Code.
  - (4) Prior years' taxes and taxes on the unsecured roll.
- (5) Fifty percent of the amount received pursuant to Section 41603.
- (6) The amount, if any, received pursuant to the Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code), less any amount received pursuant to Section 33401 or 33676 of the Health and

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1 Safety Code that is used for land acquisition, facility construction, 2 reconstruction, or remodeling, or deferred maintenance and that 3 is not an amount received pursuant to Section 33492.15, or 4 paragraph (4) of subdivision (a) of Section 33607.5, or Section 5 33607.7 of the Health and Safety Code that is allocated exclusively 6 for educational facilities.

- (7) The amount, if any, received pursuant to Sections 34183 and 34188 of the Health and Safety Code.
- (8) (A) Revenue received pursuant to subparagraph (B) of paragraph (3) of subdivision (e) of Section 36 of Article XIII of the California Constitution.
- (B) Subparagraph (A) shall only offset entitlements provided for the purpose of paragraph (1) of subdivision (a) of Section 42238.03 as continued in subsequent years by paragraph (3) of subdivision (a) of Section 42238.03.
- (j) A school district shall annually transfer to each of its charter schools funding in lieu of property taxes pursuant to Section 47635.
- (k) (1) The funds apportioned pursuant to this section and Section 42238.03, shall be available to a school district or charter school for any locally determined educational purpose.
- (2) School districts and charter schools that receive supplemental grants pursuant to this section shall use those funds for any locally determined educational purpose so long as it substantially benefits the unduplicated pupils that generated those funds as provided for in a school district's or charter school's local control and accountability plan.
- (l) Nothing in this section shall be interpreted to authorize a school district that receives funding on behalf of a charter school pursuant to Section 47651 to redirect this funding for another purpose unless otherwise authorized in law or pursuant to an agreement between a charter school and its chartering authority.
- (m) Any calculations in law that are used for purposes of determining if a local educational agency is an excess tax school entity or basic aid school district, including, but not limited to, this section and Sections 42238.03, 41544, 47660, 47632, 47663,
- 36 48310, and 48359.5, and Section 95 of the Revenue and Taxation
- 37 Code, shall be made exclusive of the revenue received pursuant
- 38 to subparagraph (B) of paragraph (3) of subdivision (e) of Section
- *36 of Article XIII of the California Constitution.*

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(n) A school district that does not receive an apportionment of state funds pursuant to this section as implemented pursuant to Section 42238.03, excluding funds apportioned due to the requirements of subdivision (d) of Section 42238.03 shall be considered a "basic aid school district" or an "excess tax entity."

(o) This section shall become operative on July 1, 2014. SEC. 28. Section 42238.03 is added to the Education Code, to read:

42238.03. Commencing with the 2014–15 fiscal year and each fiscal year thereafter, the Superintendent shall allocate the appropriations in Section 14002 to each charter school and school district according to the following formula:

- (a) Calculate the prior year amount of funding for each school district and charter school, as follows:
- (1) For the 2014–15 fiscal year, the prior year funding level shall be the total of all of the following:
- (A) Entitlements for revenue limits in the 2013–14 fiscal year pursuant to Article 2 (commencing with Section 42238) and Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.8 of Division 4, as those articles read on June 30, 2014.
- (B) Notwithstanding subparagraph (A), entitlements for revenue limits for fiscal years before June 30, 2014, shall be annually adjusted, as necessary, for average daily attendance and revenue offsets, as specified in paragraphs (1) to (7), inclusive, of subdivision (h) of Section 42238, as that section read on June 30, 2014, and the in-lieu property tax amount provided to a charter school pursuant to Section 47635, as that section read on June 30, 2014.
- (2) (A) Entitlements from items contained in Section 2.00, as adjusted pursuant to Section 12.42, of the Budget Act of 2013 for 6110-104-0001, 6110-105-0001, 6110-108-0001. Items 6110-111-0001, 6110-119-0001, 6110-122-0001, 6110-124-0001, 6110-128-0001, 6110-137-0001, 6110-144-0001, 6110-156-0001, 6110-158-0001, 6110-166-0001, 6110-167-0001, 6110-181-0001, 6110-188-0001, 6110-189-0001, 6110-190-0001, 6110-193-0001, 6110-195-0001, 6110-198-0001, 6110-204-0001, 6110-208-0001, 6110-209-0001, 6110-211-0001, 6110-212-0001, 6110-227-0001, 6110-228-0001, 6110-232-0001, 6110-240-0001, 6110-242-0001, 6110-243-0001, 6110-244-0001, 6110-245-0001, 6110-246-0001, 6110-247-0001, 6110-248-0001, 6110-260-0001, 6110-265-0001,

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6110-267-0001, 6110-268-0001, 6360-101-0001, and 2013–14 fiscal year funding for the Class Size Reduction Program pursuant to Chapter 6.10 (commencing with Section 52120) of Part 28 of Division 4, as it read on January 1, 2014.

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- (B) Entitlements pursuant to Section 47634.1, as that section read on January 1, 2014, shall be adjusted for growth in average daily attendance.
- (3) For the 2015–16 fiscal year and each fiscal year thereafter, the prior year amount shall be the amount each school district or charter school received in the prior year pursuant to this section.
- (b) Calculate an adjustment to the amount in subdivision (a) as follows:
- (1) Subtract the amount in subdivision (a) from the amount computed for each school district or charter school under the local control funding formula entitlements in subdivision (i) of Section 42238.02. School districts and charter schools with a negative difference shall be deemed to have a zero difference.
- (2) Each school district's and charter school's total need as calculated pursuant to paragraph (1) shall be divided by the sum of all school districts' and charter schools' total need to determine the school district's or charter school's respective proportions of total need.
- (3) Each school district's and charter school's proportion of total need shall be multiplied by any available appropriations for this purpose, and added to the school district's or charter school's funding amounts as calculated pursuant to subdivision (a).
- (4) If the total amount of funds available for allocation pursuant to this subdivision are sufficient to fully fund the amounts computed pursuant to paragraph (1), the local control funding formula grant computed pursuant to subdivision (c) of Section 42238.02 shall be adjusted such that any available appropriations for this purpose in that fiscal year are expended pursuant to the local control funding formula.
- (c) Upon a determination that a school district or charter school equals or exceeds the local control funding formula target computed pursuant to subdivision (i) of Section 42238.02, as determined by the calculation of a zero difference pursuant to paragraph (1) of subdivision (b) of this section, this section shall not apply and the school district or charter school shall receive

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an allocation equal to the amount calculated under Section 42238.02 in that fiscal year and future fiscal years.

- (d) Notwithstanding subdivisions (b) and (c), commencing with the 2014–15 fiscal year, a school district or charter school shall receive state-aid funding pursuant to paragraph (3) of subdivision (b) of no less than the funding the school district or charter school received from programs in paragraphs (1) and (2) of subdivision (a).
- (e) (1) For purposes of this section, commencing with the 2014–15 fiscal year and until all school districts and charter schools equal or exceed their local control funding formula target computed pursuant to Section 42238.02 as determined by the calculation of a zero difference pursuant to paragraph (1) of subdivision (b), a newly operational charter school shall be determined to have a prior year per average daily attendance funding amount equal to the lesser of:
- (A) The prior year funding amount per average daily attendance for the school district in which the charter school is physically located. The Superintendent shall calculate the per average daily attendance amount for this purpose by dividing the total local control funding formula entitlement received by that school district in the prior year by prior year average daily attendance of that school district. For purposes of this paragraph, a charter school that is physically located in more than one school district, shall use the calculated per average daily attendance local control funding entitlement of the school district with the highest prior year per average daily attendance funding amount.
- (B) The charter school's local control funding formula rate computed pursuant to subdivisions (c) to (h), inclusive, of Section 42238.02.
- (2) For charter schools funded pursuant to paragraph (1), the charter school shall be eligible to receive growth funding pursuant to subdivision (b) toward meeting the newly operational charter school's local control funding formula target.
- (3) Upon a determination that all school districts or charter schools equal or exceed the local control funding formula target computed pursuant to Section 42238.02 as determined by the calculation of a zero difference pursuant to paragraph (1) of subdivision (b) for all school districts and charter schools, this subdivision shall not apply and the charter school shall receive

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an allocation equal to the amount calculated under Section 42238.02 in that fiscal year and future fiscal years.

(f) This section shall become operative on July 1, 2014.

- SEC. 29. Section 42238.04 is added to the Education Code, to read:
- 42238.04. (a) Notwithstanding any other law, revenue limit funding for school districts and charter school block grant funding for charter schools for the 2013–14 fiscal year and prior fiscal years shall continue to be adjusted pursuant to Article 2 (commencing with Section 42238), and Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.8 of Division 4, as those articles read on June 30, 2014.
- (b) This section shall become operative on July 1, 2014.
- SEC. 30. Section 42238.05 is added to the Education Code, to read:
- 42238.05. (a) For purposes of Sections 42238.02 and 42238.03, the fiscal year average daily attendance shall be computed pursuant to paragraphs (1) or (2).
- (1) The second principal apportionment regular average daily attendance for either the current or prior fiscal year, whichever is greater. However, prior fiscal year average daily attendance shall be adjusted for any loss or gain of average daily attendance due to a reorganization or transfer of territory.
- (2) A school district that elects to receive funding pursuant to Article 4 (commencing with Section 42280) shall compute its units of average daily attendance for purposes of Section 42238.02 by subtracting the amount determined in subparagraph (B) from the amount determined in subparagraph (A).
- (A) The units of average daily attendance computed pursuant to paragraph (1).
- (B) The units of average daily attendance resulting from pupils attending schools funded pursuant to Article 4 (commencing with Section 42280).
- (b) For purposes of this article, regular average daily attendance shall be the base grant average daily attendance.
- (c) For purposes of this section, the Superintendent shall distribute total ungraded enrollment and average daily attendance among kindergarten and each of grades 1 to 12, inclusive, in proportion to the amounts of graded enrollment and average daily attendance, respectively, in each of these grades.

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(d) For purposes of this section, the Superintendent shall distribute average daily attendance generated by the difference between prior year average daily attendance and current year average daily attendance, if positive, among kindergarten and each of grades 1 to 12, inclusive, in proportion to the amounts of graded average daily attendance, respectively, in each of these grades.

- (e) This section shall only apply to average daily attendance generated by school districts and shall not apply average daily attendance generated by charter schools.
- (f) A pupil shall not be counted more than once for purposes of calculating average daily attendance pursuant to this section.
  - (g) This section shall become operative on July 1, 2014.
- SEC. 31. Section 42238.051 is added to the Education Code, to read:
- 42238.051. (a) For purposes of paragraph (1) of subdivision (a) of Section 42238.05, a sponsoring school district's average daily attendance shall be computed as follows:
- (1) Compute the sponsoring school district's regular average daily attendance in the current year, excluding the attendance of pupils in charter schools.
- (2) (A) Compute the regular average daily attendance used to calculate the second principal apportionment of the school district for the prior year, excluding the attendance of pupils in charter schools.
- (B) Compute the attendance of pupils who attended one or more noncharter schools of the school district between July 1, and the last day of the second period, inclusive, in the prior year, and who attended a charter school sponsored by the school district between July 1, and the last day of the second period, inclusive, in the current year. For purposes of this subparagraph, a pupil enrolled in a grade at a charter school sponsored by the school district shall not be counted if the school district does not offer classes for pupils enrolled in that grade. The amount of the attendance counted for any pupil for the purpose of this subparagraph may not be greater than the attendance claimed for that pupil by the charter school in the current year.
- (C) Compute the attendance of pupils who attended a charter school sponsored by the school district in the prior year and who attended one or more noncharter schools of the school district in

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the current year. The amount of the attendance counted for any pupil for the purpose of this subparagraph may not be greater than the attendance claimed for that pupil by the school district in the current year.

- (D) From the amount determined pursuant to subparagraph (B), subtract the amount determined pursuant to subparagraph (C). If the result is less than zero, the amount shall be deemed to be zero.
- (E) The prior year average daily attendance determined pursuant to subparagraph (A) shall be reduced by the amount determined pursuant to subparagraph (D).
- (3) To the greater of the amounts computed pursuant to paragraphs (1) and (2), add the regular average daily attendance in the current year of all pupils attending charter schools sponsored by the school district that are not funded through the charter schools local control funding formula allocation pursuant to Section 42238.02, as implemented by Section 42238.03.
- (b) For purposes of this section, a "sponsoring school district" shall mean a "sponsoring local educational agency," as defined in Section 47632, as that section read on January 1, 2014.
  - (c) This section shall become operative on July 1, 2014.
- SEC. 32. Section 42238.052 is added to the Education Code, to read:
- 42238.052. (a) Notwithstanding any other law, the prior year average daily attendance for a school district determined pursuant to subdivision (a) of Section 42238.051 shall be increased by the prior year second principal apportionment average daily attendance of a school district only for a school that meets the following description:
- (1) The school was a district noncharter school in any year before the prior year.
- (2) The school was operated as a district-approved charter school in the prior year.
- (3) The school is again operated as a district noncharter school in the current year.
- (b) An adjustment to prior year average daily attendance pursuant to this section may not be made for the attendance of pupils who were not residents of the school district in the prior year.
  - (c) This section shall become operative on July 1, 2014.

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1 SEC. 33. Section 42238.053 is added to the Education Code, 2 to read:

42238.053. (a) The fiscal year average daily attendance computed under Section 42238.05 shall be increased, for each school district that operates a school that meets the eligibility requirements set forth in subdivision (b), by the number of days of attendance of pupils enrolled in eligible schools in the school district who are currently migratory children, as defined by Section 54441, and who are residing in state-operated migrant housing projects between the second principal apportionment and the end of the regular school year, divided by the number of days school was actually taught in the regular day schools of the district, excluding Saturdays and Sundays.

- (b) For a school district to be eligible for purposes of this section, the following conditions shall apply:
- (1) One or more state-operated migrant housing projects are located within the attendance area of the school.
- (2) The maximum number of pupils enrolled in the school in the relevant fiscal year who are currently migratory children, as calculated under subdivision (a), constitutes not less than one-third of the total pupil enrollment of the school.
- (c) The Superintendent shall establish rules and regulations for the implementation of this section.
  - (d) This section shall become operative on July 1, 2014.
- SEC. 34. Section 42238.06 is added to the Education Code, to read:
- 42238.06. (a) Commencing on July 1, 2014, except where context requires otherwise, all of the following shall apply:
- (1) References to "revenue limit" shall instead refer to the "local control funding formula."
- (2) References to "the revenue limit calculated pursuant to 31 32 Section 42238" shall instead refer to "the local control funding formula calculated pursuant to Section 42238.02, as implemented 33 34 by Section 42238.03."
- (3) References to "Section 42238" shall instead refer to "Section 42238.02, as implemented pursuant to Section 42238.03." 36
- 37 (4) References to "Section 42238.1" shall instead refer to "Section 42238.02." 38
- (5) References to "Section 42238.5" shall instead refer to 39 40 "Section 42238.05."

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(6) References to "general-purpose entitlement" shall instead refer to "local control funding formula grant funding pursuant to Section 42238.02, as implemented by Section 42238.03."

- (b) This section shall become operative on July 1, 2014.
- SEC. 35. Section 42238.1 of the Education Code is amended to read:
- 42238.1. (a) For the 1986–87 fiscal year and each fiscal year up to and including the 1998–99 fiscal year, the Superintendent of Public Instruction shall compute an inflation adjustment equal to the product of paragraphs (1) and (2):
  - (1) Compute the sum of the following:

- (A) The statewide average base revenue limit per unit of average daily attendance for the prior fiscal year for districts of similar type.
- (B) The amount, if any, per unit of average daily attendance received by the district pursuant to Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 for the prior fiscal year.
- (2) The percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year. This percentage change shall be determined using the latest data available as of May 1 of the preceding fiscal year compared with the annual average value of the same deflator for the 12-month period ending in the third quarter of the second preceding fiscal year, using the latest data available as of May 1 of the second preceding fiscal year, as reported by the Department of Finance.
- (b) For the 1999–2000 fiscal year and each fiscal year thereafter, the Superintendent of Public Instruction shall compute an inflation adjustment equal to the product of paragraphs (1) and (2):
  - (1) Compute the sum of the following:
- (A) The statewide average base revenue limit per unit of average daily attendance for the prior fiscal year for districts of similar type.
- (B) The amount, if any, per unit of average daily attendance received by the district pursuant to Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 for the prior fiscal year.
- 39 (2) The percentage change in the annual average value of the 40 Implicit Price Deflator for State and Local Government Purchases

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of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the third quarter of the prior fiscal year. This percentage change shall be determined using the latest data available as of May 10 of the preceding fiscal year compared with the annual average value of the same deflator for the 12-month period ending in the third quarter of the second preceding fiscal year, using the latest data available as of May 10 of the preceding fiscal year, as report by the Department of Finance.

- (c) This section shall become operative July 1, 1986.
- (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 36. Section 42238.2 of the Education Code is amended to read:
- 42238.2. (a) (1) Notwithstanding Section 42238.5 or any other provision of law, a school district that meets any of the following conditions shall be entitled to an adjustment to its units of average daily attendance pursuant to this section:
- (A) The school district experiences a decline in the number of units of average daily attendance in excess of 8 percent of its total average daily attendance as a result of the closure of a facility operated by a branch of the United States Armed Forces in the school district's boundaries.
- (B) The school district experiences a decline in the number of units of average daily attendance that is less than 8 percent but at least 5 percent of its total average daily attendance as a result of the closure of a facility operated by a branch of the United States Armed Forces in that school district's boundaries, upon a finding by both the Superintendent of Public Instruction and the Director of Finance that both of the following conditions exist:
- (i) The school district demonstrates that at the end of a three-year period the school district will experience a 10-percent reduction in the amount of funding that the school district would otherwise have received from state apportionments, funding received pursuant to the California State Lottery Act of 1984 (Chapter 12.5 (commencing with Section 8880) of Division 1 of Title 2 of the Government Code), and funding received pursuant to Title VIII of Public Law 103-382, as a result of the loss of pupils related to

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the closure of a facility operated by a branch of the United States Armed Forces.

- (ii) The fiscal crisis and management assistance team established pursuant to Section 42127.8 has reviewed the school district's finances and has found that the school district has taken significant steps to reduce expenditure.
- (C) The school district experiences a decline in the number of units of average daily attendance in excess of 5 percent of its total average daily attendance and the Director of Finance determines that the school district is likely, within eight years of that decline, to maintain a number of units of average daily attendance that is equivalent to the number of units of average daily attendance maintained by the school district prior to the decline. Notwithstanding subdivision (b), loan repayments shall commence no later than the fourth year after the base year or at a later time, as determined by the Director of Finance.
- (2) For purposes of this section, the year preceding a decline shall be the base year.
- (b) In the second year after the base year, the district average daily attendance pursuant to Section 42238.5 may, if the district chooses, be increased by 75 percent of the difference between the base year units of average daily attendance and the units of average daily attendance in the first year of decline. In the third year after the base year, the district average daily attendance pursuant to Section 42238.5 may, if the district chooses, be increased by 50 percent of the difference between the base year units of average daily attendance and the units of average daily attendance in the first year of decline. The amount of money represented by these increases shall be considered a loan to the school district. Loan repayments shall commence no later than the fourth year after the base year.
- (c) (1) The Superintendent of Public Instruction, in consultation with a school district subject to this section, shall determine a schedule for repayment of the total amount loaned pursuant to this section which may not exceed 10 years. Payments shall include interest charged at a rate based on the most current investment rate of the Pooled Money Investment Account in the General Fund as of the date of the disbursement of funds to the school district.
- (2) Upon written notification by the Superintendent of Public Instruction that the school district has not made one or more of the

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1 payments required by the schedule established pursuant to paragraph (1), the Controller shall withhold from Section A of the 3 State School Fund the defaulted payment which shall not exceed 4 the amount of any apportionment entitlement of the district to 5 moneys in Section A of the State School Fund. In that regard, the 6 Controller shall withhold the amount of any payment made under 7 this subdivision, including reimbursement of the Controller's 8 administrative costs as determined under a schedule approved by the California Debt Advisory Commission, from subsequent 10 apportionments to the school district from Section A of the State School Fund. 11

- (3) Any apportionments made by the Controller pursuant to paragraph (2) shall be deemed to be an allocation to the school district for purposes of subdivision (b) of Section 8 of Article XVI of the California Constitution, and for purposes of Chapter 2 (commencing with Section 41200) of Part 24.
- (d) In no event shall the adjustment provided by this section cause the apportionment to a school district to exceed the amount that would otherwise be calculated for apportionment to the district pursuant to Sections 42238 and 42238.1.
- (e) This section does not apply to a school district that experiences a decline in enrollment as a result of a school district reorganization pursuant to Chapter 3 (commencing with Section 35500) of Part 21 or any other law.
- (f) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 37. Section 42238.3 of the Education Code is amended to read:
- 42238.3. (a) For each year during the loan repayment period provided for in Section 42238.2, any district utilizing the adjustment pursuant to Section 42238.2 may adjust its revenue limit computed pursuant to Section 42238 to the statewide average revenue limit per unit of average daily attendance for its size and type of district in proportion to the percentage of the loan that the school district has repaid up to and including the year in which the revenue limit adjustment is made.
- (b) This section does not apply to a school district that 40 experiences a decline in enrollment as a result of a school district

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reorganization pursuant to Chapter 3 (commencing with Section 35500) of Part 21 or any other law.

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- (c) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 38. Section 42238.4 of the Education Code is amended to read:
- 42238.4. (a) For the 1995–96 fiscal year, the county superintendent of schools shall compute an equalization adjustment for each school district in the county, so that no district's base revenue limit per unit of average daily attendance is less than the prior fiscal year statewide average base revenue limit for the appropriate size and type of district listed in subdivision (b) plus the inflation adjustment specified in Section 42238.1 for the current fiscal year for the appropriate type of district.

For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.

(b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:

District	ADA
Elementary	less than 101
Elementary	more than 100
High School	less than 301
High School	more than 300
Unified	less than 1,501
Unified	more than 1,500

- (c) The Superintendent shall compute a revenue limit equalization adjustment for each school district's base revenue limit per unit of average daily attendance as follows:
- (1) Add the products of the amount computed for each school district by the county superintendent pursuant to subdivision (a) and the average daily attendance used to calculate the district's revenue limit for the current fiscal year as adjusted for the deficit factor in Section 42238.145.

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(2) Divide the amount appropriated for purposes of this section for the current fiscal year by the amount computed pursuant to paragraph (1).

- (3) Multiply the amount computed for the school district pursuant to subdivision (a) by the amount computed pursuant to paragraph (2).
- (d) For the purposes of this section, the 1994–95 statewide average base revenue limits determined for the purposes of subdivision (a) and the fraction computed pursuant to paragraph (2) of subdivision (c) by the Superintendent for the 1995–96 second principal apportionment shall be final, and shall not be calculated as subsequent apportionments. In no event shall the fraction computed pursuant to paragraph (2) of subdivision (c) exceed 1.00. For the purposes of determining the size of a district used in subdivision (b), the Superintendent shall use a school district's revenue limit average daily attendance for the 1994–95 fiscal year determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).
- (e) This section shall only be operative if the Director of Finance certifies that a settlement agreement in California Teachers Association v. Gould (Sacramento County Superior Court Case CV 373415) is effective. No funds shall be disbursed under this section for this purpose before August 1, 1996, and any apportionment or allocation of funds appropriated for purposes of this section shall be accounted for in the 1995–96 fiscal year.
- (f) Appropriations for the 1995–96 fiscal year as a result of the implementation of this section shall be deemed "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202, for the 1995–96 fiscal year and "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated to Article XIII B," as defined in subdivision (e) of Section 41202, for that fiscal year, for purposes of Section 8 of Article XVI of the California Constitution.
- (g) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- 39 SEC. 39. Section 42238.41 of the Education Code is amended 40 to read:

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42238.41. (a) For the 1996–97 fiscal year, the county superintendent of schools, in conjunction with the Superintendent of Public Instruction, shall compute an equalization adjustment for each school district in the county, so that no district's 1995–96 base revenue limit per unit of average daily attendance is less than the 1995–96 fiscal year statewide average base revenue limit for the appropriate size and type of district listed in subdivision (b).

For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.

(b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:

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District	ADA
Elementary	less than 101
Elementary	more than 100
High School	less than 301
	more than 300
Unified	less than 1,501
Unified	more than 1,500

- (c) The Superintendent of Public Instruction shall compute a revenue limit equalization adjustment for each school district's base revenue limit per unit of average daily attendance as follows:
- (1) Add the products of the amount computed for each school district by the county superintendent pursuant to subdivision (a) and the average daily attendance used to calculate the district's revenue limit for the current fiscal year as adjusted for the deficit factor in Section 42238.145.
- (2) Divide the amount appropriated for purposes of this section for the current fiscal year by the amount computed pursuant to paragraph (1).
- (3) Multiply the amount computed for the school district pursuant to subdivision (a) by the amount computed pursuant to paragraph (2).
- (d) For the purposes of this section, the 1995–96 statewide average base revenue limits determined for the purposes of subdivision (a) and the fraction computed pursuant to paragraph (2) of subdivision (c) by the Superintendent of Public Instruction for the 1995–96 second principal apportionment shall be final, and

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shall not be recalculated at subsequent apportionments. In no event 1 2 shall the fraction computed pursuant to paragraph (2) of subdivision 3 (c) exceed 1.00. For the purposes of determining the size of a 4 district used in subdivision (b), county superintendents of schools, 5 in conjunction with the Superintendent of Public Instruction, shall use a school district's revenue limit average daily attendance for 6 7 the 1995–96 fiscal year as determined pursuant to Section 42238.5 8 and Article 4 (commencing with Section 42280).

- (e) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 40. Section 42238.42 of the Education Code is amended to read:
- 42238.42. (a) In the event that the amount required to be appropriated for the purpose of the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1996-97 fiscal year, as determined in paragraph (1) of subdivision (b), exceeds the amount appropriated for that purpose for the 1996–97 fiscal year, as determined pursuant to paragraph (2) of subdivision (b), the amount computed pursuant to subdivision (d), is hereby appropriated from the General Fund to the Superintendent of Public Instruction for the purposes of equalizing the revenue limits of school districts pursuant to subdivision (e) and Section 42238.43 and for the purpose of reducing the deficit factor applied to the revenue limits of county superintendents of schools pursuant to Section 2558.45 and reducing the deficit factor applied to the revenue limits of the school districts pursuant to Section 42238.145.
- (b) To determine the amounts available for the purposes of this section, the Department of Finance shall make the following computations:
- (1) At the first principal apportionment for the 1997–98 fiscal year, compute the level of General Fund revenues that meets the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1996–97 fiscal year based upon the most current determination of data as defined in subdivision (a) of Section 41206 of the Education Code.

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(2) Subtract from the amount determined in paragraph (1) an amount equal to the total amount of General Fund revenues that have been appropriated for the purpose of meeting the state's minimum funding obligation for the 1996–97 fiscal year to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution as of February 1, 1998.

- (3) If the amount computed in paragraph (2) is greater than zero, that amount is the total amount available for the purposes of this section.
- (c) To determine the portion of the amount computed in subdivision (a) to set aside for community college districts pursuant to this section, the Department of Finance shall make the following computations:
- (1) Add the total General Fund allocations to school districts and community college districts for the purposes of meeting the state's minimum funding obligation to school districts and community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1996–97 fiscal year to the total statewide amount of "allocated local proceeds of taxes," as defined in subdivisions (g) and (h) of Section 41202, allocated to school districts and community college districts for the 1996–97 fiscal year.
- (2) Divide the sum of the General Fund allocations made to community college districts for the purposes of meeting the state's minimum funding obligation to community college districts pursuant to Section 8 of Article XVI of the California Constitution for the 1996–97 fiscal year and the total statewide amount of "allocated local proceeds of taxes," as defined in subdivision (h) of Section 41202, allocated to community college districts for the 1996–97 fiscal year by the sum computed pursuant to paragraph (1).
- (3) Multiply the amount computed pursuant to subdivision (b) by the percentage determined in paragraph (2). Community college districts shall be entitled to receive an amount equal to the amount computed pursuant to this paragraph and that amount shall be set aside from the General Fund for appropriation to community college districts by the Legislature.
- (d) The amount of the appropriation made pursuant to subdivision (a) of this section shall be computed by subtracting the amount computed in paragraph (3) of subdivision (c) from the

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amount computed pursuant to subdivision (b). The Director of the
Department of Finance shall certify to the Controller the amount
of the appropriation computed pursuant to this subdivision and
under no circumstances shall funds be released by the Controller
for purposes of this section before that certification is received by
the Controller.

- (e) The Superintendent of Public Instruction shall allocate 50 percent of the amount computed pursuant to subdivision (d) to school districts for the purpose of making equalization adjustments to the base revenue limit of school districts for the 1996–97 fiscal year, as follows:
- (1) The Superintendent of Public Instruction shall perform the computations set forth in Section 42238.43 for the purpose of equalization adjustments to the base revenue limits of school districts for the 1996–97 fiscal year to determine the amount to allocate to each school district pursuant to this paragraph.
- (2) The Superintendent of Public Instruction shall repeat the process of computing equalization adjustments to the base revenue limits of school districts for the 1996–97 fiscal year pursuant to Section 42238.43 until the total amount of funds available for that purpose pursuant to this subdivision is allocated to school districts.
- (3) If the total amount of funds available for allocation pursuant to this subdivision is insufficient to fully fund the amounts computed pursuant to paragraph (1) or the amount computed pursuant to any of the iterations made pursuant to paragraph (2), the allocations computed pursuant to those paragraphs shall be reduced proportionately.
- (f) The Superintendent of Public Instruction shall allocate 50 percent of the amount computed pursuant to subdivision (d) to county superintendents of schools for the purpose of reducing the 1996–97 and 1997–98 deficit factors applied to the revenue limits of county superintendent of schools and school districts pursuant to Sections 2558.45 and 42238.145, respectively. The amount of the allocation made to each school district and county superintendent of schools for the purpose of reducing their respective deficit factors shall be computed in proportion to their respective shares of the total statewide amount of the revenue limits after adjustment for deficit factors for school districts and county superintendents of schools.

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(g) In no event shall this section be construed to require an appropriation that would cause the aggregate amount required to be appropriated from the General Fund for the 1996–97 fiscal year pursuant to Section 8 of Article XVI of the California Constitution to be exceeded.

- (h) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 41. Section 42238.43 of the Education Code is amended to read:
- 42238.43. (a) (1) For the 1996–97 fiscal year, the county superintendent of schools, in conjunction with the Superintendent of Public Instruction, shall compute an equalization adjustment for each school district in the county, so that no district's base revenue limit per unit of average daily attendance is less than the 1996–97 fiscal year statewide average base revenue limit for the appropriate size and type of district listed in subdivision (b).
- (2) For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.
- (b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:

District ADA

Elementary less than 101

Elementary more than 100

High School less than 301

High School more than 300

Unified less than 1,501

Unified more than 1,500

- (c) The equalization adjustment computed pursuant to this section shall only be funded from amounts appropriated for that purpose pursuant to Section 42238.42.
- (d) (1) For the purposes of the computation made pursuant to paragraph (1) of subdivision (e) of Section 42238.42, the 1996–97 statewide average base revenue limits determined for the purposes of subdivision (a) and the fraction, if any, computed pursuant to paragraph (3) of subdivision (e) of Section 42238.42 by the

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1 Superintendent of Public Instruction for the 1996-97 second 2 principal apportionment shall be final, and shall not be calculated 3 as subsequent apportionments. In no event shall the fraction 4 computed pursuant to paragraph (3) of subdivision (e) of Section 5 42238.42 exceed 1.00. If any iterations are required pursuant to 6 paragraph (2) of Section 42238.42, the Superintendent of Public 7 Instruction shall recompute the 1996–97 statewide average base 8 revenue limit to include any adjustments made by the immediately 9 preceding iteration.

- (2) (A) For the purposes of determining the size of a school district under subdivision (b), the Superintendent of Public Instruction shall use a school district's revenue limit average daily attendance for the 1996–97 fiscal year as determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).
- (B) Notwithstanding subparagraph (A), for the purposes of determining the size of a school district under subdivision (b) with respect to any elementary, high, or unified school district that was funded in the 1996–97 school year as a large elementary, high, or unified school district, as determined pursuant to subdivision (a) of Section 42238.5, the school district's actual revenue limit average daily attendance for the 1996–97 school year may be used. The actual revenue limit average daily attendance for the 1996–97 school year shall be used to calculate the 1996-97 revenue limit of a school district exercising the authority granted under this subparagraph. The governing board of a school district to which this subparagraph is applicable may exercise the authority granted under this subparagraph by enacting a resolution to that effect and transmitting a copy of that resolution to the Superintendent of Public Instruction on or before a date designated by the Superintendent of Public Instruction for that school year. After the Superintendent of Public Instruction receives the resolution, the superintendent shall make the necessary adjustments to the school district's revenue limit calculation.
- (e) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC, 42. Section 42238.44 of the Education Code is amended

38 SEC. 42. Section 42238.44 of the Education Code is amended to read:

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42238.44. (a) This section shall be known and may be cited as, the Fairness in Education Funding Act.

- (b) (1) For the 2004–05 fiscal year, the Superintendent of Public Instruction shall compute an equalization adjustment for each school district, so that the 2003–04 base revenue limit per unit of average daily attendance of a district is not less than the 2003–04 base revenue limit per unit of average daily attendance above which fall not more than 10 percent of the total statewide units of average daily attendance for each category of school district set forth in subdivision (c).
- (2) For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.
- (c) Subdivision (b) shall apply to the following school districts, which shall be grouped according to size and type as follows:

District	ADA
Elementary	less than 101
Elementary	more than 100
High School	less than 301
High School	more than 300
Unified	less than 1,501
Unified	more than 1,500

- (d) The Superintendent of Public Instruction shall compute a revenue limit equalization adjustment for each school district's base revenue limit per unit of average daily attendance as follows:
- (1) Multiply the amount computed for each school district pursuant to subdivision (b) by the average daily attendance used to calculate the revenue limit for the 2004–05 fiscal year of a district.
- (2) Divide the amount appropriated for purposes of this section for the 2004–05 fiscal year by the statewide sum of the amount computed pursuant to paragraph (1).
- (3) Multiply the amount computed for the school district pursuant to paragraph (1) of subdivision (b) by the amount computed pursuant to paragraph (2).
- (e) (1) For the purposes of this section, the 2003–04 statewide 90th percentile base revenue limit determined pursuant to paragraph (1) of subdivision (b), and the fraction computed pursuant to

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paragraph (2) of subdivision (d) for the 2003–04 second principal apportionment, shall be final, and shall not be recalculated at subsequent apportionments. The fraction computed pursuant to paragraph (2) of subdivision (d) shall not, under any circumstances, exceed 1.00. For purposes of determining the size of a school district pursuant to subdivision (c), county superintendents of schools, in conjunction with the Superintendent of Public Instruction, shall use school district revenue limit average daily attendance for the 2003–04 fiscal year as determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).

- (2) For the purposes of calculating the size of a school district pursuant to subdivision (c), the Superintendent of Public Instruction shall include units of average daily attendance of any charter school for which the school district is the chartering agency.
- (3) For the purposes of computing the target amounts pursuant to subdivision (b), the Superintendent of Public Instruction shall count all charter school average daily attendance toward the average daily attendance of the school district that is the chartering agency.
- (f) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 43. Section 42238.445 of the Education Code is amended to read:
- 42238.445. (a) (1) For the 2002–03 fiscal year, the Superintendent of Public Instruction shall compute an equalization adjustment for each school district by determining the amount that would be necessary to assure that no district's 2001–02 base revenue limit per unit of average daily attendance is less than the 2001–02 base revenue limit per unit of average daily attendance above which fall not more than 10 percent of the total statewide units of average daily attendance for each category of school district set forth in subdivision (b).
- (2) For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.
- (b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:

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1	District	ADA
2	Elementary	less than 101
3	Elementary	more than 100
4	High School	less than 301
5	High School	more than 300
6	Unified	less than 1,501
7	Unified	more than 1,500

- (c) The Superintendent of Public Instruction shall determine and allocate, on a one-time basis, an amount for each school district as follows:
- (1) Multiply the amount computed for each school district pursuant to subdivision (a) by the average daily attendance used to calculate the district's revenue limit for the 2002–03 fiscal year.
- (2) Divide forty-two million dollars (\$42,000,000) appropriated pursuant to Provision 2 of Item 6110-223-0001 of Section 2.00 of the Budget Act of 2002 by the statewide sum of the amount computed pursuant to paragraph (1).
- (3) Multiply the amount computed for the school district pursuant to paragraph (1) by the amount computed pursuant to paragraph (2).
- (d) (1) For the purposes of this section, the 2001–02 statewide 90th percentile base revenue limit determined pursuant to paragraph (1) of subdivision (a), and the fraction computed pursuant to paragraph (2) of subdivision (c) for the 2001–02 second principal apportionment, shall be final, and shall not be recalculated at subsequent apportionments. The fraction computed pursuant to paragraph (2) of subdivision (c) shall not, under any circumstances, exceed 1.00. For purposes of determining the size of a school district pursuant to subdivision (b), county superintendents of schools, in conjunction with the Superintendent of Public Instruction, shall use school district revenue limit average daily attendance for the 2001–02 fiscal year as determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).
- (2) For the purposes of calculating the size of a school district pursuant to subdivision (b), the Superintendent of Public Instruction shall include units of average daily attendance of any charter school for which the school district is the chartering agency.
- (3) For the purposes of computing the target amounts pursuant to subdivision (a), the Superintendent of Public Instruction shall

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count all charter school average daily attendance toward the average daily attendance of the school district that is the chartering agency.

- (e) Allocations pursuant to this section do not represent adjustments to school district base revenue limits.
- (f) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 44. Section 42238.45 of the Education Code is amended to read:
- 42238.45. (a) (1) For the 2001–02 fiscal year, the Superintendent of Public Instruction shall compute an adjustment for each school district, so that no district's 2000–01 base revenue limit per unit of average daily attendance is less than the 2000–01 base revenue limit per unit of average daily attendance above which fall not more than 10 percent of the total statewide units of average daily attendance for each category of school district set forth in subdivision (b).
- (2) For purposes of this section, the district base revenue limit and the statewide average base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.
- (b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:

District	ADA
Elementary	
Elementary	. more than 100
High School	. less than 301
High School	. more than 300
Unified	. less than 1,501
Unified	. more than 1,500

- (c) For the 2001–02 fiscal year, the Superintendent of Public Instruction shall determine and allocate on a one-time basis for each school district amounts as follows:
- (1) Multiply the amount computed for each school district pursuant to subdivision (a) by the average daily attendance used to calculate the district's revenue limit for the 2001–02 fiscal year.

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(2) Divide forty million dollars (\$40,000,000) appropriated for purposes of this section for the 2001–02 fiscal year by the statewide sum of the amount computed pursuant to paragraph (1).

- (3) Multiply the amount computed for the school district pursuant to paragraph (1) of subdivision (a) by the amount computed pursuant to paragraph (2).
- (d) (1) For the purposes of calculating the size of a school district pursuant to subdivision (b), the Superintendent of Public Instruction shall include units of average daily attendance of any charter school for which the school district is the chartering agency.
- (2) For the purposes of computing the target amounts pursuant to subdivision (a), the Superintendent of Public Instruction shall count all charter school average daily attendance toward the average daily attendance of the school district that is the chartering agency.
- (e) Allocations for purposes of this section do not represent adjustments to school district base revenue limits.
- (f) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 45. Section 42238.46 of the Education Code is amended to read:
- 42238.46. (a) For the 2003–04 fiscal year, the Superintendent of Public Instruction shall compute an equalization adjustment for each school district so that no district's 2002–03 adjusted base revenue limit per unit of average daily attendance is less than the 2002–03 fiscal year adjusted base revenue limit above which fall not more that 8.25 percent of the total statewide units of average daily attendance for the appropriate size and type of district listed in subdivision (b).
- For purposes of this section, the district adjusted base revenue limit and the statewide average adjusted base revenue limit may not include any amounts attributable to Section 45023.4, 46200, or 46201.
- (b) Subdivision (a) applies to the following school districts, which shall be grouped according to size and type as follows:

39 District ADA
40 Elementary less than 101

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1	Elementary	more than 100
2	High School	less than 301
3	High School	more than 300
4	Unified	less than 1,501
5	Unified	more than 1,500

- (c) The Superintendent of Public Instruction shall compute a revenue limit equalization adjustment for each school district's adjusted base revenue limit per unit of average daily attendance as follows:
- (1) Add the products of the amount computed for each school district by the county superintendent pursuant to subdivision (a) and the average daily attendance used to calculate the district's revenue limit for the current fiscal year.
- (2) Divide the amount appropriated for purposes of this section for the current fiscal year by the amount computed pursuant to paragraph (1).
- (3) Multiply the amount computed for the school district pursuant to subdivision (a) by the amount computed pursuant to paragraph (2).
- (d) (1) For purposes of this section only, prior to computing the equalization adjustment pursuant to this section, the Superintendent of Public Instruction shall calculate an adjusted base revenue limit for each district by revising the 2002–03 base revenue limit of the district to eliminate that portion of the one-time adjustment to its base revenue limit related to excused absences made pursuant to Section 42238.8.
- (2) For the purposes of this section, the 2002–03 statewide average adjusted base revenue limits determined for the purposes of subdivision (a) and the fraction computed pursuant to paragraph (2) of subdivision (c) by the Superintendent of Public Instruction for the 2002–03 second principal apportionment shall be final, and shall not be recalculated at subsequent apportionments. In no event shall the fraction computed pursuant to paragraph (2) of subdivision (c) exceed 1.00. For the purposes of determining the size of a district used in subdivision (b), county superintendents of schools, in conjunction with the Superintendent of Public Instruction, shall use a school district's revenue limit average daily attendance for the 2002–03 fiscal year as determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).

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(3) For the purposes of calculating the size of a school district pursuant to subdivision (b), the Superintendent of Public Instruction shall include units of average daily attendance of any charter school for which the school district is the chartering agency.

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- (4) For the purposes of computing the target amounts pursuant to subdivision (a), the Superintendent of Public Instruction shall count all charter school average daily attendance towards the average daily attendance of the school district that is the chartering agency.
- (e) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 46. Section 42238.48 of the Education Code is amended to read:

42238.48. (a) (1) For the 2006–07 fiscal year, Superintendent shall compute an equalization adjustment for each school district, so that the 2005–06 base revenue limit per unit average daily attendance of a school district is not less than the 2005–06 base revenue limit per unit of average daily attendance above which fall not more than 10 percent of the total statewide units of average daily attendance for each category of school district set forth in subdivision (b).

- (2) For purposes of this section, the base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.
- (b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:

30	District	ADA
31	Elementary	less than 101
32	Elementary	more than 100
33	High School	less than 301
34	High School	more than 300
35	Unified	less than 1,501
36	Unified	more than 1,500

38 (c) The Superintendent shall compute a revenue limit 39 equalization adjustment for each school district's base revenue 40

limit per unit of average daily attendance as follows:

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(1) Multiply the amount computed for each school district pursuant to subdivision (a) by the average daily attendance used to calculate the revenue limit for the 2006–07 fiscal year of a school district.

- (2) Divide the amount appropriated for purposes of this section for the 2006–07 fiscal year by the statewide sum of the amount computed pursuant to paragraph (1).
- (3) Multiply the amount computed for the school district pursuant to paragraph (1) of subdivision (a) by the amount computed pursuant to paragraph (2).
- (d) (1) For the purposes of this section, the 2005–06 statewide 90th percentile base revenue limit determined pursuant to paragraph (1) of subdivision (a), and the fraction computed pursuant to paragraph (2) of subdivision (c) for the 2005–06 second principal apportionment, shall be final, and shall not be recalculated at subsequent apportionments. The fraction computed pursuant to paragraph (2) of subdivision (c) shall not exceed 1.00. For purposes of determining the size of a school district pursuant to subdivision (b), county superintendents of schools, in conjunction with the Superintendent, shall use school district revenue limit average daily attendance for the 2005–06 fiscal year as determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).
- (2) For the purposes of calculating the size of a school district pursuant to subdivision (b), the Superintendent shall include units of average daily attendance of any charter school for which the school district is the sponsoring local educational agency.
- (3) For the purposes of computing the target amounts pursuant to subdivision (a), the Superintendent shall count all charter school average daily attendance toward the average daily attendance of the school district that is the sponsoring local educational agency.
- (e) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- 36 SEC. 47. Section 42238.485 of the Education Code is amended to read:
  - 42238.485. (a) For the 2010–11 fiscal year, the Superintendent shall compute an adjustment for each school district by dividing

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each school district's 2007–08 fiscal year average daily attendance into the sum of the following:

- (1) Funding for Meals for Needy Pupils programs received by the school district for the 2007–08 fiscal year pursuant to Section 42241.2, as it read on January 1, 2009.
- (2) Funding incentives to increase beginning teachers' salaries received by the school district for the 2007–08 fiscal year pursuant to Sections 45023.1 and 45023.4, as those sections read on January 1, 2009.
- (b) For purposes of this section, average daily attendance shall be computed pursuant to Section 42238.5.
- (c) Notwithstanding any other provision of this section, no funding specified in this section shall be added to the adjustment computed pursuant to subdivision (a) if that funding is currently included in a school district's base revenue limit calculated pursuant to Section 42238.
- (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 48. Section 42238.49 of the Education Code is amended to read:
- 42238.49. (a) (1) For the 2011–12 fiscal year, the Superintendent shall compute an equalization adjustment for each school district, so that the 2010–11 base revenue limit per unit of average daily attendance of a school district is not less than the 2010–11 base revenue limit per unit of average daily attendance above which fall not more than 10 percent of the total statewide units of average daily attendance for each category of school district set forth in subdivision (b).
- (2) For purposes of this section, the base revenue limit shall not include any amounts attributable to Section 45023.4, 46200, or 46201.
- (b) Subdivision (a) shall apply to the following school districts, which shall be grouped according to size and type as follows:

37	District	ADA
38	Elementary	less than 101
39	Elementary	more than 100
40	High School	less than 301

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1	High School	more than 300
2	Unified	less than 1,501
3	Unified	more than 1,500

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- (c) The Superintendent shall compute a revenue limit equalization adjustment for each school district's base revenue limit per unit of average daily attendance as follows:
- (1) Multiply the amount computed for each school district pursuant to subdivision (a) by the average daily attendance used to calculate the revenue limit for the 2011–12 fiscal year of a school district
- (2) Divide the amount appropriated from the Supplemental Education Payment Account for purposes of this section for the 2011–12 fiscal year by the statewide sum of the amounts computed pursuant to paragraph (1).
- (3) Multiply the amount computed for the school district pursuant to paragraph (1) of subdivision (a) by the amount computed pursuant to paragraph (2).
- (d) (1) For the purposes of this section, the 2010–11 statewide 90th percentile base revenue limit determined pursuant to paragraph (1) of subdivision (a), and the fraction computed pursuant to paragraph (2) of subdivision (c) for the 2010–11 second principal apportionment, shall be final, and shall not be recalculated at subsequent apportionments. The fraction computed pursuant to paragraph (2) of subdivision (c) shall not exceed 1.00. For purposes of determining the size of a school district pursuant to subdivision (b), county superintendents of schools, in conjunction with the Superintendent, shall use school district revenue limit average daily attendance for the 2010–11 fiscal year as determined pursuant to Section 42238.5 and Article 4 (commencing with Section 42280).
- (2) For the purposes of calculating the size of a school district pursuant to subdivision (b), the Superintendent shall include units of average daily attendance of any charter school for which the school district is the sponsoring local educational agency.
- (3) For the purposes of computing the target amounts pursuant to subdivision (a), the Superintendent shall count all charter school average daily attendance toward the average daily attendance of the school district that is the sponsoring local educational agency.

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(e) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 49. Section 42238.5 of the Education Code is amended to read:

- 42238.5. (a) For purposes of Section 42238, the fiscal year average daily attendance shall be computed pursuant to paragraph (1) or (2).
- (1) The second principal apportionment regular average daily attendance for either the current or prior fiscal year, whichever is greater. However, prior fiscal year average daily attendance shall be adjusted for any loss or gain of average daily attendance due to a reorganization or transfer of territory, or, commencing in the 1993–94 fiscal year, and each fiscal year thereafter, for any change in average daily attendance for pupils who are concurrently enrolled in adult programs and classes pursuant to Section 52616.17.
- (2) Any school district that elects to receive funding pursuant to Article 4 (commencing with Section 42280) shall compute its units of average daily attendance for purposes of Section 42238 by subtracting the amount determined in subparagraph (B) from the amount determined in subparagraph (A).
- (A) The units of average daily attendance computed pursuant to paragraph (1).
- (B) The units of average daily attendance resulting from pupils attending schools funded pursuant to Article 4 (commencing with Section 42280).
- (b) For purposes of this article, regular average daily attendance shall be the base revenue limit average daily attendance, excluding summer school average daily attendance.
- (c) For purposes of this section, for the 1998–99 fiscal year only, the prior year average daily attendance shall be the 1997–98 regular average daily attendance, excluding absences excused pursuant to subdivision (b) of Section 46010, as that subdivision read on July 1, 1996.
- (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

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1 SEC. 50. Section 42238.51 of the Education Code is amended 2 to read:

- 42238.51. (a) For purposes of paragraph (1) of subdivision (a) of Section 42238.5, a sponsoring school district's average daily attendance shall be computed as follows:
- (1) Compute the sponsoring school district's regular average daily attendance in the current year, excluding the attendance of pupils in charter schools.
- (2) (A) Compute the regular average daily attendance used to calculate the second principal apportionment of the school district for the prior year, excluding the attendance of pupils in charter schools.
- (B) Compute the attendance of pupils who attended one or more noncharter schools of the school district between July 1, and the last day of the second period, inclusive, in the prior year, and who attended a charter school sponsored by the school district between July 1, and the last day of the second period, inclusive, in the current year. For the purposes of this paragraph, a pupil enrolled in a grade at a charter school sponsored by the school district shall not be counted if the school district does not offer classes for pupils enrolled in that grade. The amount of the attendance counted for any pupil for the purpose of this subparagraph may not be greater than the attendance claimed for that pupil by the charter school in the current year.
- (C) Compute the attendance of pupils who attended a charter school sponsored by the school district in the prior year and who attended one or more noncharter schools of the school district in the current year. The amount of the attendance counted for any pupil for the purpose of this subparagraph may not be greater than the attendance claimed for that pupil by the school district in the current year.
- (D) From the amount determined pursuant to subparagraph (B), subtract the amount determined pursuant to subparagraph (C). If the result is less than zero, the amount shall be deemed to be zero.
- (E) The prior year average daily attendance determined pursuant to subparagraph (A) shall be reduced by the amount determined pursuant to subparagraph (D).
- (3) To the greater of the amounts computed pursuant to paragraphs (1) and (2), add the regular average daily attendance in the current year of all pupils attending charter schools sponsored

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1 by the district that are not funded pursuant to Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.

- (b) For the purposes of this section, a "sponsoring school district" shall mean a "sponsoring local educational agency," as defined in Section 47632.
  - (c) This section shall become operative on July 1, 2007.

- (c) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 51. Section 42238.52 of the Education Code is amended to read:
- 42238.52. (a) Notwithstanding any other provision of law, the prior year average daily attendance for a school district determined pursuant to subdivision (b) of Section 42238.51 shall be increased by the prior year second principal apportionment average daily attendance of district residents only of any school that meets the following description:
- (1) The school was a district noncharter school in any year prior to the prior year.
- (2) The school was operated as a district-approved charter school in the prior year.
- (3) The school is again operated as a district noncharter school in the current year.
- (b) An adjustment to prior year average daily attendance pursuant to this section may not be made for the attendance of pupils who were not residents of the school district in the prior year.
- (c) This section applies to the 2000–01 fiscal year and subsequent fiscal years.
- (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 52. Section 42238.53 of the Education Code is amended to read:
- 42238.53. (a) Sections 42238.51 and 42238.52 do not apply to resident pupils in charter schools operating under the districtwide charter of a district that has converted all of its schools to charter status pursuant to Section 47606 and has elected not to be funded

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pursuant to Article 2 (commencing with Section 47633) of Chapter
 6 of Part 26.

- (b) For the purposes of this section, "resident pupils" means pupils who reside in, and are otherwise eligible to attend, a school in the specified district.
- (c) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- 10 SEC. 53. Section 42238.6 of the Education Code is amended 11 to read:
  - 42238.6. (a) The fiscal year average daily attendance computed under Section 42238.5 shall be increased, for each school district that operates any school that meets the eligibility requirements set forth in subdivision (b), by the number of child days of attendance of pupils enrolled in eligible schools in the district who are currently migratory children, as defined by Section 54441, and who are residing in state-operated migrant housing projects between the second principal apportionment and the end of the regular school year, divided by the number of days school was actually taught in the regular day schools of the district, excluding Saturdays and Sundays.
  - (b) For a school to be eligible for the purposes of this section, the following conditions shall apply:
  - (1) One or more state-operated migrant housing projects are located within the attendance area of the school.
  - (2) The maximum number of pupils enrolled in the school in the relevant fiscal year who are currently migratory children, as calculated under subdivision (a), constitutes not less than one-third of the total pupil enrollment of the school.
  - (c) The Superintendent of Public Instruction shall establish rules and regulations for the implementation of this section.
  - (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- 37 SEC. 54. Section 42238.7 of the Education Code is amended 38 to read:
- 39 42238.7. (a) The governing board of each school district, as a condition of apportionment, shall report to the Superintendent

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of Public Instruction, not later than May 1, 1998, and September 1, 1998, respectively, the portion of the attendance in the schools and classes maintained by the district that was reported for each of the 1996–97 and 1997–98 school years pursuant to Section 41601 that consisted of absences excused pursuant to subdivision (b) of Section 46010 and to Section 46015, as those sections read on July 1, 1996.

(b) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 55. Section 42238.75 of the Education Code is amended to read:

42238.75. Notwithstanding any other provision of law:

- (a) All completed audits, including those on appeal, of school districts, charter schools, and county offices of education funded by Item 8860-025-0001 of Section 2.00 of Chapter 50 of the Statutes of 1999, Item 8860-025-0001 of Section 2.00 of Chapter 52 of the Statutes of 2000, and Item 8860-025-0001 of Section 2.00 of Chapter 106 of the Statutes of 2001, and any findings of those audits, are withdrawn, and no loss of apportionment arising from the findings of those audits shall be realized.
- (b) All audits funded by Item 8860-025-0001 of Section 2.00 of Chapter 50 of the Statutes of 1999, Item 8860-025-0001 of Section 2.00 of Chapter 52 of the Statutes of 2000, and Item 8860-025-0001 of Section 2.00 of Chapter 106 of the Statutes of 2001, shall be discontinued.
- (c) The Controller shall notify all school districts, charter schools, and county offices of education that it is no longer necessary to retain records supporting pupil attendance and excused absences used for purposes of calculating average daily attendance during the 1996–97 fiscal year.
- (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 56. Section 42238.8 of the Education Code is amended
- 37 SEC. 56. Section 42238.8 of the Education Code is amended 38 to read:
- 39 42238.8. (a) Effective July 1, 1998, the Superintendent of 40 Public Instruction shall make a one-time adjustment to the revenue

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limit per unit of average daily attendance of each school district. This one-time adjustment shall apply for the 1998–99 fiscal year, and for each fiscal year thereafter, but not for any year prior to 1998–99, and shall be accomplished by revision of the prior fiscal year revenue limit per unit of average daily attendance, as follows:

- (1) Determine a revised revenue limit per unit of average daily attendance for the 1996–97 fiscal year as follows:
- (A) For each school district that had its revenue limit funding for the 1996–97 fiscal year calculated on the basis of its 1996–97 average daily attendance pursuant to paragraph (1) of subdivision (a) of Section 42238.5, the revised revenue limit per unit of average daily attendance shall equal the adjusted total base revenue limit determined pursuant to paragraph (2) divided by the adjusted average daily attendance determined pursuant to subparagraph (A) of paragraph (3).
- (B) For each school district that had its revenue limit funding for the 1996–97 fiscal year calculated on the basis of its 1995–96 average daily attendance pursuant to paragraph (1) of subdivision (a) of Section 42238.5, the revised revenue limit per unit of average daily attendance shall equal the adjusted total base revenue limit determined pursuant to paragraph (2) divided by the adjusted average daily attendance determined pursuant to subparagraphs (B), (C), and (D) of paragraph (3).
- (2) Determine the amount of the 1996–97 total base revenue limit funding received pursuant to Section 42238 for growth and nongrowth average daily attendance, including, as nongrowth average daily attendance in necessary small schools in the year determined to be the greater pursuant to paragraph (1) of subdivision (a) of Section 42238.5 for the 1996–97 fiscal year, but excluding attendance in nonpublic, nonsectarian schools, county office operated special education, and county community school programs.
- (3) (A) Reduce the average daily attendance figure used to make the determination set forth in paragraph (2) by the amount of average daily attendance included in that figure for excused absences pursuant to subdivision (b) of Section 46010 as that subdivision read on July 1, 1996.
- (B) Determine the second principal apportionment average daily attendance for the 1996–97 fiscal year, including attendance in necessary small schools and attendance for excused absences

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pursuant to subdivision (b) of Section 46010 as it read on July 1, 1996, but excluding attendance, including attendance for excused absences, in nonpublic, nonsectarian schools, county-operated special education programs, and county community schools.

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- (C) Determine the second principal apportionment average daily attendance for the 1996–97 fiscal year, including attendance in necessary small schools, but excluding attendance in nonpublic, nonsectarian schools, county-operated special education programs, and county community schools and for excused absences pursuant to subdivision (b) of Section 46010 as it read on July 1, 1996.
- (D) Calculate the adjusted revenue limit average daily attendance by multiplying the average daily attendance figure used to make the determination set forth in paragraph (2) by the quotient of the amount determined pursuant to subparagraph (C) divided by the amount determined pursuant to subparagraph (B).
- (4) Recalculate the 1997–98 fiscal year revenue limit per unit of average daily attendance to reflect the revision in the 1996–97 revenue limit per unit of average daily attendance determined pursuant to paragraph (1).
- (b) The calculations made pursuant to paragraphs (1) and (4) of subdivision (a) shall not be used for apportionment purposes for either of the fiscal years referred to in those paragraphs or for adjustments for those years.
- (c) If the governing board of any school district demonstrates to the satisfaction of the Superintendent of Public Instruction that, because of extraordinary circumstances beyond the control of the school district, the amount of absences excused in one or more district programs in fiscal year 1996–97 pursuant to subdivision (b) of Section 46010 as it read on July 1, 1996, was significantly lower than it would ordinarily have been in comparison to the amount of actual attendance in fiscal year 1996–97, the Superintendent of Public Instruction shall make a compensating adjustment, consistent with the provisions of Section 2 of the Education Code, in the calculation set forth in this section.
- (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- 39 SEC. 57. Section 42238.9 of the Education Code is amended 40 to read:

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42238.9. (a) The amount per unit of average daily attendance subtracted pursuant to Section 56712 for revenue limits for pupils in special classes and centers shall be the district's total revenue limit for the current fiscal year computed pursuant to Section 42238, including funds received pursuant to Article 4 (commencing with Section 42280), but excluding the total amount of funds received pursuant to Sections 46200 to 46206, inclusive, and Section 45023.4, as that section read on July 1, 1986, divided by the district's current year average daily attendance pursuant to Section 42238.5. The amount per unit of average daily attendance that is excluded in this calculation for each school district shall be increased for the 1998–99 fiscal year by the quotient for that district of the amount determined pursuant to subparagraph (B) of paragraph (3) of subdivision (a) of Section 42238.8 divided by the amount determined pursuant to subparagraph (C) of paragraph (3) of subdivision (a) of Section 42238.8. 

- (b) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 58. Section 42238.95 of the Education Code is amended to read:
- 42238.95. (a) The amount per unit of average daily attendance for pupils in special classes and centers that shall be apportioned to each county office of education shall be equal to the amount determined for the district of residence pursuant to Section 42238.9, increased by the quotient equal to the amount determined pursuant to paragraph (1) divided by the amount determined pursuant to paragraph (2). This subdivision only applies to average daily attendance served by employees of the county office of education.
- (1) Determine the second principal apportionment average daily attendance for special education for the county office of education for the 1996–97 fiscal year, including attendance for excused absences, divided by the corresponding average daily attendance excluding attendance for excused absences pursuant to subdivision (b) of Section 46010 as it read on July 1, 1996, reported pursuant to Section 41601 for the 1996–97 fiscal year.
- (2) Determine the second principal apportionment average daily attendance for the 1996–97 fiscal year, including attendance for excused absences, for all of the school districts within the county,

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excluding average daily attendance for county office special education and county community school programs and nonpublic nonsectarian schools, divided by the corresponding average daily attendance, excluding attendance for excused absences determined pursuant to subdivision (b) of Section 46010 as it read on July 1, 1996, and reported pursuant to Section 41601 for the 1996–97 fiscal year.

- (b) A county office of education shall provide the data required to perform the calculation specified in paragraph (1) of subdivision (a) to the Superintendent of Public Instruction in order to be eligible for the adjustment pursuant to subdivision (a).
- (c) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 59. Section 42238.11 of the Education Code is amended to read:
- 42238.11. Notwithstanding any other provision of law, for the 1994–95 fiscal year the county superintendent of schools shall reduce the total revenue limit for each school district in the jurisdiction of the county superintendent of schools by the amount of the decreased employer contributions to the Public Employees' Retirement System resulting from the enactment of Chapter 330 of the Statutes of 1982, adjusted for any changes in those contributions resulting from subsequent changes in employer contribution rates, excluding rate changes due to the direct transfer of the state-mandated portion of the employer contributions to the Public Employees' Retirement System, through the 1994–95 fiscal year. The reduction shall be calculated for each school district as follows:
- (a) Determine the amount of employer contributions that would have been made in the 1994–95 fiscal year if the applicable Public Employees' Retirement System employer contribution rate in effect immediately prior to the enactment of Chapter 330 of the Statutes of 1982 were in effect during the 1994–95 fiscal year.

For purposes of this calculation, no school district shall have a contribution rate higher than 13.020 percent.

(b) Subtract from the amount determined in subdivision (a) the actual amount of employer contributions made to the Public Employees' Retirement System in the 1994–95 fiscal year.

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(c) For the purposes of this section, employer contributions to the Public Employees' Retirement System for any of the following positions shall be excluded from the calculation specified above:

- (1) Positions or portions of positions supported by federal funds that are subject to supplanting restrictions.
- (2) Positions supported by funds received pursuant to Section 42243.6.
- (3) Positions supported, to the extent of employer contributions not exceeding twenty-five thousand dollars (\$25,000) by any single educational agency, from a non-General Fund revenue source determined to be properly excludable from this section by the Superintendent of Public Instruction with the approval of the Director of Finance.
- (d) For accounting purposes, the reduction made by this provision may be reflected as an expenditure from appropriate sources of revenue as directed by the Superintendent of Public Instruction.
- (e) The amount of the reduction made by this section shall not be adjusted by the deficit factor calculated pursuant to Section 42238.145.

It is the intent of the Legislature to make adjustments to school district revenue limits for the 1994–95 fiscal year to reflect savings that these districts will realize in the contributions to the Public Employees' Retirement System due to a reduced contribution rate for the 1994–95 fiscal year.

This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 60. Section 42238.12 of the Education Code is amended to read:

42238.12. (a) For the 1995–96 fiscal year and each fiscal year thereafter, the county superintendent of schools shall adjust the total revenue limit for each school district in the jurisdiction of the county superintendent of schools by the amount of increased or decreased employer contributions to the Public Employees' Retirement System resulting from the enactment of Chapter 330 of the Statutes of 1982, adjusted for any changes in those contributions resulting from subsequent changes in employer contribution rates, excluding rate changes due to the direct transfer

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of the state-mandated portion of the employer contributions to the Public Employees' Retirement System, through the current fiscal year. The adjustment shall be calculated for each school district, as follows:

- (1) (A) Determine the amount of employer contributions that would have been made in the current fiscal year if the applicable Public Employees' Retirement System employer contribution rate in effect immediately before the enactment of Chapter 330 of the Statutes of 1982 were in effect during the current fiscal year.
- (B) For purposes of this calculation, no school district shall have a contribution rate higher than 13.020 percent.
- (2) Determine the actual amount of employer contributions made to the Public Employees' Retirement System in the current fiscal year.
- (3) If the amount determined in paragraph (1) for a school district is greater than the amount determined in paragraph (2), the total revenue limit computed for that school district shall be decreased by the amount of the difference between those paragraphs; or, if the amount determined in paragraph (1) for a school district is less than the amount determined in paragraph (2), the total revenue limit for that school district shall be increased by the amount of the difference between those paragraphs.
- (4) For the purpose of this section, employer contributions to the Public Employees' Retirement System for any of the following positions shall be excluded from the calculation specified above:
- (A) Positions or portions of positions supported by federal funds that are subject to supplanting restrictions.
- (B) Positions supported by funds received pursuant to Section 41540 that are established in order to satisfy court-ordered desegregation requirements.
- (C) Positions supported, to the extent of employers' contributions not exceeding twenty-five thousand dollars (\$25,000) by any single educational agency, from a non-General Fund revenue source determined to be properly excludable from this section by the Superintendent with the approval of the Director of Finance. Commencing in the 2002–03 fiscal year, only positions supported from a non-General Fund revenue source determined to be properly excludable as identified for a particular local educational agency or pursuant to a blanket waiver by the

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Superintendent and the Director of Finance, before the 2002–03 fiscal year, may be excluded pursuant to this paragraph.

- (5) For accounting purposes, any reduction to school district revenue limits made by this provision may be reflected as an expenditure from appropriate sources of revenue as directed by the Superintendent.
- (6) The amount of the increase or decrease to the revenue limits of school districts computed pursuant to paragraph (3) for the 1995–96 to 2002–03 fiscal years, inclusive, may not be adjusted by the deficit factor applied to the revenue limit of each school district pursuant to Section 42238.145.
- (7) For the 2003–04 fiscal year and any fiscal year thereafter, the revenue limit reduction specified in Section 42238.146 may not be applied to the amount of the increase or decrease to the revenue limits of school districts computed pursuant to paragraph (3).
- (b) The calculations set forth in paragraphs (1) to (3), inclusive, of subdivision (a) exclude employer contributions for employees of charter schools funded pursuant to Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.8.
- (c) Funding appropriated through the Budget Act of 2001 or legislation amending the Budget Act of 2001 for the purpose of limiting the reductions to revenue limits calculated pursuant to this section and to Section 2558 for the 2001–02 fiscal year shall be allocated on a one-time basis in the following manner:
- (1) Each school district and county office of education subject to a reduced apportionment pursuant to this section or to Section 2558 shall receive a share of the amount described in paragraph (3) that is proportionate to the reduction in their apportionment pursuant to this section or to Section 2558 for the 2001–02 fiscal year as compared to the statewide total reduction that would occur absent this paragraph.
- (2) For the 2001–02 fiscal year, instead of the alternative calculation authorized by paragraph (1), San Francisco Unified School District shall receive an amount equal to five dollars and 57 cents (\$5.57) multiplied by its second principal apportionment average daily attendance for the 2001–02 fiscal year.
- (3) Notwithstanding any other law, total allocations pursuant to this subdivision may not exceed thirty-five million dollars (\$35,000,000).

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(d) Thirty-five million dollars (\$35,000,000) is hereby appropriated from the General Fund for transfer to Section A of the State School Fund for local assistance for the purpose of limiting the reductions to revenue limits calculated pursuant to this section and to Section 2558 for the 2003–04 fiscal year. Funding from this appropriation shall be allocated in the following manner:

- (1) Each school district and county office of education subject to a reduced apportionment pursuant to this section or to Section 2558 shall receive a share of the amount appropriated in this subdivision that is proportionate to the reduction in their apportionment pursuant to this section or to Section 2558 for the 2003–04 fiscal year as compared to the statewide total reduction that would occur absent this paragraph.
- (2) For the 2003–04 fiscal year, instead of the alternative calculation authorized by paragraph (1), the San Francisco Unified School District shall receive an amount equal to five dollars and 57 cents (\$5.57) multiplied by its second principal apportionment average daily attendance for the 2003–04 fiscal year.
- (3) Notwithstanding any other law, total allocations pursuant to this subdivision may not exceed thirty-five million dollars (\$35,000,000) for the 2003–04 fiscal year.
- (4) For the purposes of making the computations required by Section 8 of Article XVI of the California Constitution, the appropriation made by this section shall be deemed to be "General Fund revenues appropriated for school districts," as defined in subdivision (c) of Section 41202, for the 2003–04 fiscal year and included within the "total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIIIB," as defined in subdivision (e) of Section 41202, for the 2003–04 fiscal year.
- (e) For the 2004–05 fiscal year, and each fiscal year thereafter, apportionment reductions pursuant to this section and to Section 2558 shall be limited as follows:
- (1) Each school district and county office of education subject to a reduced apportionment pursuant to this section or to Section 2558 shall receive a share of the amount described in paragraph (3) that is proportionate to the reduction in their apportionment pursuant to this section or to Section 2558 for the 2004–05 fiscal

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to read:

year as compared to the statewide total reduction as would occur absent this paragraph.

- (2) Instead of the alternative calculation authorized by paragraph (1), the San Francisco Unified School District shall receive funding equal to the amount of funding per unit of average daily attendance specified in paragraph (2) of subdivision (c) as increased annually by cost-of-living adjustments specified in Section 42238.1, multiplied by its second principal apportionment average daily attendance for that fiscal year.
- (3) Notwithstanding any other law, total limitations pursuant to this subdivision may not annually exceed thirty-five million dollars (\$35,000,000) as annually increased by the cost-of-living adjustments specified in Section 42238.1, multiplied by the annual statewide percentage growth in total average daily attendance, measured at the second principal apportionment.
- (f) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 61. Section 42238.13 of the Education Code is amended
- 42238.13. (a) Notwithstanding any other provision of law, for any elementary school district that meets all of the criteria specified in subdivision (b), the base revenue limit for the 1988–89 fiscal year and each subsequent fiscal year computed pursuant to Section 42238 shall be computed as though the 1987–88 base revenue limit per unit of average daily attendance was two thousand nine hundred sixty-five dollars (\$2,965). The county superintendent shall compute the revenue limit on that basis.
- (b) The revenue limit computation described in subdivision (a) shall apply to any elementary school district that meets all of the following criteria:
- (1) The minority enrollment in the district in the 1987–88 school year was greater than 98 percent.
- (2) The AFDC enrollment in the district in the 1987–88 school year was greater than 32 percent.
- 37 (3) The district ranked in all of the following categories in the 1986–87 California Assessment Program as follows:
- 39 (A) Lowest 3 percent for third grade reading.
- 40 (B) Lowest 2 percent for sixth grade reading.

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- 1 (C) Lowest 1 percent for eighth grade reading.
- 2 (D) Lowest 1 percent for sixth grade mathematics.
- 3 (E) Lowest 1 percent for eighth grade mathematics.
- 4 (F) Lowest 1 percent for history/social science.
- 5 (G) Lowest 1 percent for science.

- (4) The district's 1987–88 base revenue limit was 2 percent below the statewide average for elementary districts and 7 percent below the county average for elementary districts.
- (5) The district is under a court order as of the effective date of this act.
  - (c) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- 15 SEC. 62. Section 42238.14 of the Education Code is amended to read:
  - 42238.14. (a) For the purposes of this article, the revenue limit for the 1993–94 fiscal year for each school district determined pursuant to this article and adjusted pursuant to Section 42238.16 shall be reduced by a 8.14 percent deficit factor.
  - (b) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 63. Section 42238.145 of the Education Code is amended
  - to read:
    42238.145. For the purposes of this article, the revenue limit for each school district shall be reduced by a deficit factor, as follows:
    - (a) (1) For the 1994–95 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by an 11.01 percent deficit factor.
  - (2) For the 1995–96 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 10.12 percent deficit factor.
  - (3) For the 1996–97 and 1997–98 fiscal years, the revenue limit for each school district determined pursuant to this article shall be reduced by a 9.967 percent deficit factor, as adjusted pursuant to Section 42238.42.

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(4) For the 1999–2000 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 6.996 percent deficit factor.

- (b) (1) The revenue limit for the 1994–95 fiscal year for each school district shall be determined as if the revenue limit for each school district had been determined for the 1993–94 fiscal year without being reduced by the deficit factor required pursuant to Section 42238.14.
- (2) When computing the revenue limit for each school district for the 1995–96 or any subsequent fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that school district had been determined for the previous fiscal year without being reduced by the deficit factor specified in this section.

This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 64. Section 42238.146 of the Education Code is amended to read:

42238.146. (a) (1) For the 2003–04 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 1.198 percent deficit factor.

- (2) For the 2004–05 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 0.323 percent deficit factor.
- (3) For the 2003–04 and 2004–05 fiscal years, the revenue limit for each school district determined pursuant to this article shall be further reduced by a 1.826 percent deficit factor.
- (4) For the 2005–06 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 0.892 percent deficit factor.
- (5) For the 2008–09 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 7.844 percent deficit factor.
- (6) For the 2009–10 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 18.355 percent deficit factor.

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(7) For the 2010–11 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 17.963 percent deficit factor.

- (8) For the 2011–12 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 20.404 percent deficit factor.
- (9) For the 2012–13 fiscal year, the revenue limit for each school district determined pursuant to this article shall be reduced by a 22.272 percent deficit factor.
- (b) In computing the revenue limit for each school district for the 2006–07 fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that school district had been determined for the 2003–04, 2004–05, and 2005–06 fiscal years without being reduced by the deficit factors specified in subdivision (a).
- (c) In computing the revenue limit for each school district for the 2010–11 fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that school district had been determined for the 2009–10 fiscal year without being reduced by the deficit factors specified in subdivision (a).
- (d) In computing the revenue limit for each school district for the 2011–12 fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that school district had been determined for the 2010–11 fiscal year without being reduced by the deficit factors specified in subdivision (a).
- (e) In computing the revenue limit for each school district for the 2012–13 fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that school district had been determined for the 2011–12 fiscal year without being reduced by the deficit factors specified in subdivision (a).
- (f) In computing the revenue limit for each school district for the 2013–14 fiscal year pursuant to this article, the revenue limit shall be determined as if the revenue limit for that school district had been determined for the 2012–13 fiscal year without being reduced by the deficit factors specified in subdivision (a).
- (g) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

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1 SEC. 65. Section 42238.17 of the Education Code is amended 2 to read:

42238.17. Notwithstanding any other provision of law, for any school district that was reorganized effective July 1, 1992, as a unified school district and that is congruent to a school district that was reorganized as an elementary school district effective July 1, 1990, the Superintendent of Public Instruction shall compute apportionments using the following data:

- (a) For the purposes of paragraph (1) of subdivision (d) of Section 42238 for the 1990–91 and 1991–92 fiscal years, the superintendent shall use the actual number of units of average daily attendance for the 1990–91 fiscal year second principal apportionments.
- (b) For the purposes of paragraph (1) of subdivision (d) of Section 42238, for the 1992–93 fiscal year and each fiscal year thereafter, the superintendent shall use the actual number of units of average daily attendance for the 1992–93 fiscal year second principal apportionment.

This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 66. Section 42238.18 of the Education Code is amended to read:

42238.18. (a) Notwithstanding any other provision of law, only those pupils enrolled in county office of education programs while detained in a juvenile hall, juvenile home, day center, juvenile ranch, juvenile camp, or regional youth educational facility established pursuant to Article 23 (commencing with Section 850), Article 24 (commencing with Section 880), and Article 24.5 (commencing with Section 894) of Chapter 2 of Part 1 of Division 2 of the Welfare and Institutions Code shall be counted as juvenile court school pupils. For purposes of apportionments, those pupils in a group home housing 25 or more children placed pursuant to Sections 362, 727, and 730 of the Welfare and Institutions Code or in any group home housing 25 or more children and operating one or more additional sites under a central administration for children placed pursuant to Section 362, 727, or 730 of the Welfare and Institutions Code shall be reported as county group home and

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institutions pupils to the Superintendent and shall be counted as juvenile court school pupils for purposes of apportionments.

- (b) Notwithstanding any other provision of law, any county superintendent of schools operating juvenile court schools, county group home and institutions schools, or community schools, or any combination of these schools shall maintain an account in their general fund to be known as the juvenile court and community school account, and shall deposit all funds derived from the operation of juvenile court, county group home and institutions schools, and community schools into that account. Expenditures from the juvenile court and community school account shall be limited to the following:
- (1) Those expenditures defined as direct costs of instructional programs by the California State School Accounting Manual, except that facility costs, including the costs of renting, leasing, purchasing, remodeling, constructing, or improving buildings and the costs of purchasing or improving land, shall be allowed as an instructional cost in the juvenile court and community school fund. Deferred maintenance contributions made pursuant to Section 17584 may also be allowed as an instructional cost of juvenile court and county community school programs, provided the contribution does not exceed the program's proportionate share of total county school service fund expenditures as defined in Section 17584, and provided the funds are used for deferred maintenance of juvenile court and county community school facilities.
- (2) Expenditures that are defined as documented direct support costs by the California State School Accounting Manual.
- (3) Expenditures that are defined as allocated direct support costs by the California State School Accounting Manual.
- (4) Other expenditures for support and indirect charges. However, these charges may not exceed 10 percent of the sum of the expenditures in paragraphs (1), (2), and (3).

Expenditures that represent contract payments to other agencies for the operation of juvenile court and community school programs shall be included in the juvenile court and community school account and the contract costs distributed to the cost categories defined in paragraphs (1), (2), (3), and (4). At the end of any given school year the net ending balance in the juvenile court and community school account may be distributed to a reserved account

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for economic contingencies or to a reserved account for capital outlay, provided that the combined total transferred does not exceed 15 percent of the current year's authorized expenditures as specified above and also provided that funds placed in the reserved accounts shall only be expended for juvenile court, county group home and institutions, or community school programs. The net ending balance, except for those funds placed in a capital outlay fund, shall not exceed the greater of 15 percent of the previous year's expenditures or twenty-five thousand dollars (\$25,000). A county may accumulate over a period of two or more given school years a net ending balance in the capital outlay reserved account of more than 15 percent of the current fiscal year's expenditures under provisions of a resolution of the governing board. Funds in the capital outlay reserve are to be used for capital outlay only. The Superintendent shall require an annual certification by county superintendents of schools beginning in the 1989–90 fiscal year that juvenile court, county group home and institutions, and community school funds have been expended as provided in this section and shall withhold from the subsequent year's apportionment an amount equal to any excess ending balance or excess transfers, as provided in this subdivision, in the juvenile court and community school account. 

- (c) Notwithstanding any other provision of law, pupils who are referred by the county probation department under Section 601 or 654 of the Welfare and Institutions Code, shall be enrolled and eligible for apportionments in county community schools only after an individualized review and certification of the appropriateness of enrollment in the county group home and institution's school or county community school. The individualized review shall include representatives of the court, the county department of education, the county probation department, and either the school district of residence or, in cases in which the pupil resides in a group home or institution, the school district in which the group home or institution is located, and, in each case, the school district representative shall agree to the appropriateness of the proposed placement and pupils so placed shall have a probation officer assigned to their case.
- (d) Regardless of the operative date of the amendments to this section made during the 1997 portion of the 1997–98 Regular Session, this section, as so amended, shall be implemented as

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though it had been operative on July 1, 1996. For the purpose of implementing this section for the entire 1996–97 fiscal year, the Superintendent and other public officers shall take all necessary steps to effect the required adjustments and shall have authority to adjust allowance computations, apportionments, and disbursements ordered from Section A of the State School Fund and other public funds.

- (e) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 67. Section 42239 of the Education Code is amended to read:
- 42239. (a) For each fiscal year the Superintendent of Public Instruction shall compute funding for supplemental instruction for each school district or charter school by multiplying the number of pupil hours of supplemental instruction claimed pursuant to Sections 37252 and 37252.2 by the pupil hour allowance specified in subdivision (b) or by a pupil hour allowance specified in the annual Budget Act in lieu of the amount computed in subdivision (b).
- (b) Hours of supplemental instruction shall be reimbursed at a rate of three dollars and fifty-three cents (\$3.53) per pupil hour, adjusted in the 2005–06 fiscal year and subsequent fiscal years as specified in this section, provided that a different reimbursement rate may be specified for each fiscal year in the annual Budget Act that appropriates funding for that fiscal year. This amount shall be increased annually by the percentage increase pursuant to subdivision (b) of Section 42238.1 granted to school districts or charter schools for base revenue limit cost-of-living increases.
- (c) (1) If appropriated funding is insufficient to pay all claims made in any fiscal year pursuant to Sections 37252 and 37252.2, the superintendent shall use any available funding appropriated for the purposes of reimbursing school districts pursuant to Section 37252 or 37252.2.
- (2) If appropriated funding is still insufficient to pay all claims made in any fiscal year pursuant to Section 37252 or 37252.2, the superintendent shall use any available funding appropriated for the purposes of reimbursing school districts for supplemental instruction in the prior fiscal year.

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(3) If appropriated funding is still insufficient to pay all claims made in any fiscal year pursuant to Section 37252 or 37252.2, the superintendent shall use any available funding appropriated for the purposes of reimbursing school districts for supplemental instruction in the current fiscal year.

- (4) The superintendent shall notify the Director of Finance that there is an insufficiency of funding appropriated for the purposes of Sections 37252 and 37252.2 only after the superintendent has exhausted all available balances of appropriations made for the current or prior fiscal years for the reimbursement of school districts for supplemental instruction.
- (d) Notwithstanding any other provision of law, neither the State Board of Education nor the Superintendent of Public Instruction may waive any provision of this section.
- (e) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 68. Section 42240.1 of the Education Code is amended to read:
- 42240.1. (a) Any elementary school district with less than 2,501 units of average daily attendance in grades kindergarten to 6, inclusive, for the second principal apportionment in the 1978–79 fiscal year, whose 7th and 8th grade pupils were being educated by a high school district pursuant to Article 5 (commencing with Section 37060) of Chapter 1 of Part 22 during the 1978–79 fiscal year, shall be entitled to the revenue limit adjustment computed pursuant to Section 42240 beginning with the 1981–82 fiscal year. This section shall become operative January 1, 1982.
- (b) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 69. Section 42241.3 of the Education Code is amended
- 34 SEC. 69. Section 42241.3 of the Education Code is amended
  35 to read:
  36 42241.3. (a) This section applies only to the funding generated
  - 42241.3. (a) This section applies only to the funding generated by the average daily attendance of pupils attending a charter school that has operated as a charter school since prior to July 1, 2005, if a unified school district has been the sponsoring local educational agency as defined in subdivision (i) of Section 47632, and if the

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unified school district was governed by Section 47660 as that section read on December 31, 2005.

- (b) For the 2005–06 fiscal year only, the revenue limit funding of a unified school district, other than a unified school district that has converted all of its schools to charter status pursuant to Section 47606 and is operating them as charter schools, shall be increased or decreased to reflect half of the difference between the funding provided for the base revenue limit per unit of average daily attendance of the unified school district as set forth in Section 42238 and the general-purpose entitlement per unit of average daily attendance of the charter school as set forth in Section 47633.
- (c) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 70. Section 42241.7 of the Education Code is amended to read:
- 42241.7. (a) For the 1978–79 fiscal year, and each fiscal year thereafter, the revenue limit of any elementary, high, or unified school district authorized pursuant to Sections 42237 and 42238 may be increased by an amount sufficient to provide additional revenue equal to the expenditures estimated to be incurred by the district in the budget year in complying with the following provisions of the Unemployment Insurance Code: Sections 605 and 803, Article 6 (commencing with Section 821) of Chapter 3 of Part 1 of Division 1, or Article 3 (commencing with Section 976) of Chapter 4 of Part 1 of Division 1, less the actual expenditures incurred by the district in the 1975–76 fiscal year in complying with the following provisions of the Unemployment Insurance Code: Section 605.2 and Article 6 (commencing with Section 821) of Chapter 3 of Part 1 of Division 1.
- (b) If, at the end of any fiscal year, the actual expenditures of the district specified in subdivision (a) are less than the revenue derived from the increase in revenue limit provided in subdivision (a) for that fiscal year, the difference shall be used in the following fiscal year exclusively for expenditures required pursuant to the Unemployment Insurance Code provisions specified in subdivision (a).
- (c) If, at the end of any fiscal year, the actual expenditures of the district specified in subdivision (a) exceed the revenue derived

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1 from the increase in revenue limit provided in subdivision (a) for 2 that fiscal year, the difference may be added to the increase in 3 revenue limit, authorized pursuant to this section, in the following 4 fiscal year.

- (d) (1) For the 1994–95 to 2002–03 fiscal years, inclusive, the adjustment computed pursuant to this section shall not be adjusted by the deficit factor applied to the revenue limit of each school district pursuant to Section 42238.145.
- (2) For the 2003–04 fiscal year and each fiscal year thereafter, the revenue limit reduction specified in Section 42238.146 may not be applied to the adjustment computed pursuant to this section.
- (e) Expenditures for employees of charter schools funded pursuant to Article 2 (commencing with Section 47633) of Chapter 6 of Part 26.8 are excluded from the calculations set forth in this section.
- (f) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 71. Section 42243.7 of the Education Code is amended to read:
- 42243.7. (a) For any school district that commenced operations on or after June 30, 1978, or for any school district that receives approval from the department for a new continuation education high school for the 1979–80 fiscal year, or any fiscal year thereafter, the Superintendent of Public Instruction shall compute an adjustment to the district revenue limit pursuant to this section.
- (b) Determine the amount of foundation program that the district would have been entitled to pursuant to subdivision (a) of Section 41711, as that section read on July 1, 1977, if the district had operated during the 1977–78 fiscal year, utilizing the number of units of average daily attendance attending high school in the district in the fiscal year for which the revenue limit is being computed.
- (c) Determine the amount of foundation program that the district would have been entitled to pursuant to paragraph (1) of subdivision (b) of Section 41711, as that section read on July 1, 1977, if the district had operated during the 1977–78 fiscal year, utilizing the same number of units of average daily attendance used in subdivision (b) of this section.

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(d) Subtract the amount determined pursuant to subdivision (c) from the amount computed pursuant to subdivision (b).

- (e) The amount computed pursuant to subdivision (d), if greater than zero, shall be added to the revenue limit computed pursuant to subdivision (c) of Section 42237 or pursuant to Section 42238. If the amount in subdivision (d) is less than zero there is no adjustment.
- (f) The Superintendent of Public Instruction shall reduce by the amount computed pursuant to subdivision (e) the revenue limit computed pursuant to Section 42238 of any district discontinuing the operation of a continuation education school approved pursuant to subdivision (a).
- (g) (1) For the 1994–95 to 2002–03 fiscal years, inclusive, the adjustment computed pursuant to this section may not be adjusted by the deficit factor applied to the revenue limit of each school district pursuant to Section 42238.145.
- (2) For the 2003–04 fiscal year and each fiscal year thereafter, the revenue limit reduction specified in Section 42238.146 may not be applied to the adjustment computed pursuant to this section.
- (h) The adjustment computed pursuant to this section for a new continuation education high school may be applicable for any unified school district that was not fully operational during the first year of operation of the continuation education high school. The number of units of average daily attendance to be used in computing the adjustment shall be the number of units of average daily attendance generated by the continuation education high school in the district for the first year that the district is fully operational in all grades.
- (i) In the 1998–99 fiscal year and each fiscal year thereafter, the ranges of average daily attendance resulting from the calculation set forth in this section pursuant to Section 41711, as that section read on July 1, 1977, shall be reduced by the statewide average percentage that absences excused pursuant to subdivision (b) of Section 46010, as that section read on July 1, 1996, were of total second principal apportionment regular average daily attendance for high schools in 1996–97, with the reduced ranges then rounded to the nearest integer.
- (j) Commencing with the 2005–06 fiscal year and notwithstanding any provision of law, the amount of the adjustment calculated pursuant to this section shall not be added to the revenue

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limit of a school district, but shall be used in determining the amount of the pupil retention block grant awarded a school district pursuant to Article 1 (commencing with Section 41500) of Chapter 3.2.

- (k) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 72. Section 46201.2 of the Education Code is amended to read:
- 46201.2. (a) Commencing with the 2009–10 school year and continuing through the 2014-15 2013-14 school year, a school district, county office of education, or charter school may reduce the equivalent of up to five days of instruction or the equivalent number of instructional minutes without incurring the penalties set forth in Sections 41420, 46200, 46200.5, 46201, 46201.5, 46202, and 47612.5. A school district, county office of education, or charter school shall receive revenue limit funding based on the adjustments prescribed pursuant to Section 42238.146 whether or not it reduces the number of schooldays or instructional minutes.
- (b) This section shall become inoperative on July 1, <del>2015</del> 2014, and, as of January 1, 2016 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2016 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- SEC. 73. Section 46201.2 is added to the Education Code, to read:
- 46201.2. (a) Commencing with the 2009–10 school year and continuing through the 2013–14 school year, a school district, county office of education, or charter school may reduce the equivalent of up to five days of instruction or the equivalent number of instructional minutes without incurring the penalties set forth in Sections 41420, 46200, 46200.5, 46201, 46201.5, 46202, and 47612.5, as those sections read on January 1, 2014. A school district, county office of education, or charter school shall receive revenue limit funding based on the adjustments prescribed pursuant to Section 42238.146, as it read on January 1, 2014, whether or not it reduces the number of schooldays or instructional minutes.
- (b) For the 2014–15 school year, a school district, county office 40 of education, or charter school may reduce the equivalent of up

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to five days of instruction or the equivalent number of instructional minutes without incurring the penalties set forth in Sections 41420, 46200, 46200.5, 46201, 46201.5, 46202, and 47612.5.

(c) This section shall become operative on July 1, 2014.

- (d) This section shall become inoperative on July 1, 2015, and, as of January 1, 2016, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2016, deletes or extends the dates on which it becomes inoperative and is repealed. SEC, 74. Section 47604.33 of the Education Code is amended
- 9 SEC. 74. Section 47604.33 of the Education Code is amended 10 to read:
  - 47604.33. (a) Each charter school shall annually prepare and submit the following reports to its chartering authority and the county superintendent of schools, or only to the county superintendent of schools if the county board of education is the chartering authority:
  - (1) On or before July 1, a preliminary budget. For a charter school in its first year of operation, the information submitted pursuant to subdivision (g) of Section 47605 satisfies this requirement.
  - (2) On or before December 15, an interim financial report. This report shall reflect changes through October 31.
  - (3) On or before March 15, a second interim financial report. This report shall reflect changes through January 31.
  - (4) On or before September 15, a final unaudited report for the full prior year.
  - (b) The chartering authority shall use any financial information it obtains from the charter school, including, but not limited to, the reports required by this section, to assess the fiscal condition of the charter school pursuant to subdivision (d) of Section 47604.32.
  - (c) The cost of performing the duties required by this section shall be funded with supervisorial oversight fees collected pursuant to Section 47613.
  - (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.
- 38 SEC. 75. Section 47604.33 is added to the Education Code, to 39 read:

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47604.33. (a) Each charter school shall annually prepare and submit the following reports to its chartering authority and the county superintendent of schools, or only to the county superintendent of schools if the county board of education is the chartering authority:

- (1) On or before July 1, a preliminary budget and a local control and accountability plan adopted pursuant to Section 52065. For a charter school in its first year of operation, the information submitted pursuant to subdivision (g) of Section 47605 satisfies this requirement.
- (2) On or before December 15, an interim financial report. This report shall reflect changes through October 31.
- (3) On or before March 15, a second interim financial report. This report shall reflect changes through January 31.
- (4) On or before September 15, a final unaudited report for the full prior year.
- (b) The chartering authority shall use any financial information it obtains from the charter school, including, but not limited to, the reports required by this section, to assess the fiscal condition of the charter school pursuant to subdivision (d) of Section 47604.32.
- (c) The cost of performing the duties required by this section shall be funded with supervisorial oversight fees collected pursuant to Section 47613.
  - (d) This section shall become operative on July 1, 2014.
- SEC. 76. Section 47610 of the Education Code is amended to read:
- 47610. A charter school shall comply with this part and all of the provisions set forth in its charter, but is otherwise exempt from the laws governing school districts, except all of the following:
  - (a) As specified in Section 47611.
- (b) As specified in Section 41365.
- (c) All laws establishing minimum age for public school attendance.
- 35 (d) The California Building Standards Code (Part 2 36 (commencing with Section 101) of Title 24 of the California Code 37 of Regulations), as adopted and enforced by the local building 38 enforcement agency with jurisdiction over the area in which the 39 charter school is located.

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(e) Charter school facilities shall comply with subdivision (d)
 by January 1, 2007.
 This section shall become inoperative on July 1, 2014, and, as

This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

- 7 SEC. 77. Section 47610 is added to the Education Code, to 8 read:
  - 47610. (a) A charter school shall comply with this part and all of the provisions set forth in its charter, but is otherwise exempt from the laws governing school districts, except all of the following:
    - (1) As specified in Section 47611.

- (2) As specified in Section 41365.
- (3) As specified in Section 52065.
- (4) All laws establishing minimum age for public school attendance.
- (5) The California Building Standards Code (Part 2 (commencing with Section 101) of Title 24 of the California Code of Regulations), as adopted and enforced by the local building enforcement agency with jurisdiction over the area in which the charter school is located.
- (6) Charter school facilities shall comply with paragraph (5) of subdivision (a) by January 1, 2007.
  - (b) This section shall become operative on July 1, 2014.
- SEC. 78. Section 47630.5 of the Education Code is amended to read:
- 47630.5. (a) This chapter applies to the calculation of operational funding for charter schools. Except as otherwise provided in this chapter, this chapter shall apply to all charter schools without regard to their sponsoring local education agency.
- (b) For the 1999–2000, 2000–01, and 2001–02 fiscal years in the case of a charter school that was assigned a number by the State Board of Education prior to June 1, 1999, the use of the charter school funding method established by this chapter shall be at the discretion of that charter school. A charter school that elects
- 37 to have its funding determined pursuant to the method established
- 38 by this chapter shall notify the State Department of Education by
- 39 June 1 prior to the affected fiscal year. An election to be funded
- 40 pursuant to the method established by this chapter is irrevocable.

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read:

(c) Additional legal or fiscal responsibilities on the part of a county superintendent of schools are not imposed by this chapter, except as specifically provided in this chapter.

- (d) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 79. Section 47631 of the Education Code is amended to
- 47631. (a) Article 2 (commencing with Section 47633) and Article 3 (commencing with Section 47636) may not apply to a charter granted pursuant to Section 47605.5.
- (b) Notwithstanding subdivision (a), a pupil attending a county-sponsored charter school who is eligible to attend that school solely as a result of parental request pursuant to subdivision (b) of Section 1981 shall be funded pursuant to this chapter.
- (c) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 80. Section 47631 is added to the Education Code, to read:
- 47631. (a) Article 3 (commencing with Section 47636) shall not apply to a charter granted pursuant to Section 47605.5.
- (b) Notwithstanding subdivision (a), a pupil attending a county-sponsored charter school who is eligible to attend that school solely as a result of parental request pursuant to subdivision (b) of Section 1981 shall be funded pursuant to the local control funding formula pursuant to Section 42238.02, as implemented by Section 42238.03.
- (c) This section shall become operative on July 1, 2014.
- SEC. 81. Section 47632 of the Education Code is amended to read:
- 34 47632. For purposes of this chapter, the following terms shall be defined as follows:
  - (a) "General-purpose entitlement" means an amount computed by the formula set forth in Section 47633 beginning in the 1999–2000 fiscal year, which is based on the statewide average amounts of general-purpose funding from those state and local

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sources identified in Section 47633 received by school districts of similar type and serving similar pupil populations.

- (b) "Categorical block grant" means an amount computed by the formula set forth in Section 47634 beginning in the 1999–2000 fiscal year, which is based on the statewide average amounts of categorical aid from those sources identified in Section 47634 received by school districts of similar type and serving similar pupil populations.
- (c) "General-purpose funding" means those funds that consist of state aid, local property taxes, and other revenues applied toward a school district's revenue limit, pursuant to Section 42238.
- (d) "Categorical aid" means aid that consists of state or federally funded programs, or both, which are apportioned for specific purposes set forth in statute or regulation.
- (e) "Economic impact aid-eligible pupils" means those pupils that are included in the economic impact aid-eligible pupil count pursuant to Section 54023. For purposes of applying Section 54023 to charter schools, "economically disadvantaged pupils" means the pupils described in paragraph (2) of subdivision (a) of Section 54026.
- (f) "Educationally disadvantaged pupils" means those pupils who are eligible for subsidized meals pursuant to Section 49552 or are identified as English learners pursuant to subdivision (a) of Section 306, or both.
- (g) "Operational funding" means all funding except funding for capital outlay.
- (h) "School district of a similar type" means a school district that is serving similar grade levels.
- (i) "Similar pupil population" means similar numbers of pupils by grade level, with a similar proportion of educationally disadvantaged pupils.
  - (j) "Sponsoring local educational agency" means the following:
- (1) If a charter school is granted by a school district, the sponsoring local educational agency is the school district.
- (2) If a charter is granted by a county office of education after having been previously denied by a school district, the sponsoring local educational agency means the school district that initially denied the charter petition.
- (3) If a charter is granted by the state board after having been previously denied by a local educational agency, the sponsoring

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read:

local educational agency means the local educational agency designated by the state board pursuant to paragraph (1) of subdivision (k) of Section 47605 or if a local educational agency is not designated, the local educational agency that initially denied the charter petition.

- (4) For pupils attending county-sponsored charter schools who are eligible to attend those schools solely as a result of parental request pursuant to subdivision (b) of Section 1981, the sponsoring local educational agency means the pupils' school district of residence.
- (5) For pupils attending countywide charter schools pursuant to Section 47605.6 who reside in a basic aid school district, the sponsoring local educational agency means the school district of residence of the pupil. For purposes of this paragraph, "basic aid school district" means a school district that does not receive an apportionment of state funds pursuant to subdivision (h) of Section 42238.
- (k) This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed. SEC. 82. Section 47632 is added to the Education Code, to
- 47632. (a) For purposes of this chapter, the following terms shall be defined as follows:
- (1) "General-purpose entitlement" means an amount computed by the local control funding formula pursuant to Section 42238.02, as implemented by Section 42238.03.
- (2) "General-purpose funding" means those funds that consist of state aid, local property taxes, and other revenues applied toward a school district's local control funding formula, pursuant to Section 42238.02, as implemented by Section 42238.03.
- (3) "Categorical aid" means aid that consists of state or federally funded programs, or both, which are apportioned for specific purposes set forth in statute or regulation.
- (4) "Educationally disadvantaged pupils" means those pupils who are eligible for subsidized meals pursuant to Section 49552 or are identified as English learners pursuant to subdivision (a) of Section 306, or both.

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(5) "Operational funding" means all funding except funding for capital outlay.

- (6) "School district of a similar type" means a school district that is serving similar grade levels.
- (7) "Similar pupil population" means similar numbers of pupils by grade level, with a similar proportion of educationally disadvantaged pupils.
  - (8) "Sponsoring local educational agency" means the following:
- (A) If a charter school is granted by a school district, the sponsoring local educational agency is the school district.
- (B) If a charter is granted by a county office of education after having been previously denied by a school district, the sponsoring local educational agency means the school district that initially denied the charter petition.
- (C) If a charter is granted by the state board after having been previously denied by a local educational agency, the sponsoring local educational agency means the local educational agency designated by the state board pursuant to paragraph (1) of subdivision (k) of Section 47605 or if a local educational agency is not designated, the local educational agency that initially denied the charter petition.
- (D) For pupils attending county-sponsored charter schools who are eligible to attend those schools solely as a result of parental request pursuant to subdivision (b) of Section 1981, the sponsoring local educational agency means the pupils' school district of residence.
- (E) For pupils attending countywide charter schools pursuant to Section 47605.6 who reside in a basic aid school district, the sponsoring local educational agency means the school district of residence of the pupil. For purposes of this paragraph, "basic aid school district" means a school district that does not receive an apportionment of state funds as described in subdivision (n) of Section 42238.02.
  - (b) This section shall become operative on July 1, 2014.
- 35 SEC. 83. Section 47633 of the Education Code is amended to 36 read:
- 37 47633. The Superintendent shall annually compute a 38 general-purpose entitlement, funded from a combination of state 39 aid and local funds, for each charter school as follows:

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(a) The Superintendent shall annually compute the statewide average amount of general-purpose funding per unit of average daily attendance received by school districts for each of four grade level ranges: kindergarten and grades 1, 2, and 3; grades 4, 5, and 6; grades 7 and 8; and, grades 9 to 12, inclusive. For purposes of making these computations, both of the following conditions shall apply:

- (1) Revenue limit funding attributable to pupils in kindergarten and grades 1 to 5, inclusive, shall equal the statewide average revenue limit funding per unit of average daily attendance received by elementary school districts; revenue limit funding attributable to pupils in grades 6, 7, and 8, shall equal the statewide average revenue limit funding per unit of average daily attendance received by unified school districts; and revenue limit funding attributable to pupils in grades 9 to 12, inclusive, shall equal the statewide average revenue limit funding per unit of average daily attendance received by high school districts.
- (2) Revenue limit funding received by school districts shall exclude the value of any benefit attributable to the presence of necessary small schools or necessary small high schools within the school district.
- (b) The Superintendent shall multiply each of the four amounts computed in subdivision (a) by the charter school's average daily attendance in the corresponding grade level ranges. The resulting figure shall be the amount of the charter school's general-purpose entitlement, which shall be funded through a combination of state aid and local funds. From funds appropriated for this purpose pursuant to Section 14002, the superintendent shall apportion to each charter school this amount, less local funds allocated to the charter school pursuant to Section 47635 and any amount received pursuant to subparagraph (B) of paragraph (3) of subdivision (e) of Section 36 of Article XIII of the California Constitution.
- (c) General-purpose entitlement funding may be used for any public school purpose determined by the governing body of the charter school.

This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.

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SEC. 84. Section 47634.1 of the Education Code, as added by Section 24 of Chapter 2 of the Fourth Extraordinary Session of the Statutes of 2009, is amended to read:

- 47634.1. (a) Notwithstanding subdivision (a) of Section 47634, a categorical block grant for charter schools for the 2005–06 fiscal year shall be calculated as follows:
- (1) The Superintendent shall divide the total amount of funding appropriated for the purpose of this block grant in the annual Budget Act or another statute, less the total amount calculated in paragraph (2), by the statewide total of charter school average daily attendance, as determined at the second principal apportionment for the 2005–06 fiscal year.
- (2) The statewide average amount, as computed by the Superintendent, of funding per identified educationally disadvantaged pupil received by school districts in the current fiscal year pursuant to Article 2 (commencing with Section 54020) of Chapter 1 of Part 29. This amount shall be multiplied by the number of educationally disadvantaged pupils enrolled in the charter school. The resulting amount, if greater than zero, shall not be less than the minimum amount of Economic Impact Aid funding to which a school district of similar size would be entitled pursuant to Section 54022. For purposes of this subdivision, a pupil who is eligible for subsidized meals pursuant to Section 49552 and is identified as an English learner pursuant to subdivision (a) of Section 306 shall count as two pupils.
- (3) For each charter school, the Superintendent shall multiply the amount calculated in paragraph (1) by the school's average daily attendance as determined at the second principal apportionment for the 2005–06 fiscal year.
- (4) The Superintendent shall add the amounts computed in paragraphs (2) and (3). The resulting amount shall be the charter school categorical block grant that the Superintendent shall apportion to each charter school from funds appropriated for this purpose in the annual Budget Act or another statute. The Superintendent shall allocate an advance payment of this grant as early as possible, but no later than October 31, 2005, based on prior year average daily attendance as determined at the second principal apportionment or, for a charter school in its first year of operation that commences instruction on or before September 30,

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2005, on estimates of average daily attendance for the current fiscal year determined pursuant to Section 47652.

- (b) (1) For the 2006–07 fiscal year, the categorical block grant allocated by the Superintendent for charter schools shall be four hundred dollars (\$400) per unit of charter school average daily attendance as determined at the second principal apportionment for the 2006–07 fiscal year. This amount shall be supplemented by the amount calculated in paragraph (2).
- (2) The statewide average amount, as computed by the Superintendent, of funding per economic impact aid-eligible pupil count received by school districts in the current fiscal year, pursuant to Article 2 (commencing with Section 54020) of Chapter 1 of Part 29, shall be multiplied by the number of economic impact aid-eligible pupils enrolled in the charter school. The resulting amount, if greater than zero, shall not be less than the minimum amount of Economic Impact Aid funding to which a school district of similar size would be entitled pursuant to Section 54022.
- (c) (1) For the 2007–08 fiscal year, the categorical block grant allocated by the Superintendent for charter schools shall be five hundred dollars (\$500) per unit of charter school average daily attendance as determined at the second principal apportionment for the 2007–08 fiscal year. For each fiscal year thereafter, this per unit amount shall be adjusted for the cost-of-living adjustment, as determined pursuant to Section 42238.1, for that fiscal year. This amount shall be supplemented in the 2007–08 fiscal year and each fiscal year thereafter by the amount calculated in paragraph (2).
- (2) The statewide average amount, as computed by the Superintendent, of funding per economic impact aid-eligible pupil count received by school districts in the current year, pursuant to Article 2 (commencing with Section 54020) of Chapter 1 of Part 29, shall be multiplied by the number of economic impact aid-eligible pupils enrolled in the charter school. The resulting amount, if greater than zero, shall not be less than the minimum amount of Economic Impact Aid funding to which a school district of similar size would be entitled pursuant to Section 54022.
- (d) It is the intent of the Legislature to fully fund the categorical block grant for charter schools as specified in this section and to appropriate additional funding that may be needed in order to compensate for unanticipated increases in average daily attendance

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and counts of economic impact aid-eligible pupils, pursuant to Article 2 (commencing with Section 54020) of Chapter 1 of Part 29, in charter schools. In any fiscal year in which the department identifies a deficiency in the categorical block grant, the department shall identify the available balance for programs that count towards meeting the requirements of Section 8 of Article XVI of the California Constitution and have unobligated funds for the year. On or before July 1, the department shall provide the Department of Finance with a list of those programs and their available balances, and the amount of the deficiency, if any, in the categorical block grant. Within 45 days of the receipt of a notification of deficiency, the Director of Finance shall verify the amount of the deficiency in the categorical block grant and direct the Controller to transfer an amount, equal to the lesser of the amount available or the amount needed to fully fund the categorical block grant, from those programs to the categorical block grant. The Department of Finance shall notify the Joint Legislative Budget Committee within 30 days of any transfer made pursuant to this section. 

- (e) Commencing October 1, 2007, the Legislative Analyst's Office shall triennially convene a work group to review, commencing with appropriations proposed for the 2008–09 fiscal year, the appropriateness of the funding level provided by the categorical block grant established in this section.
- (f) Categorical block grant funding may be used for any purpose determined by the governing body of the charter school.
  - (g) This section shall become operative on July 1, 2013.
- (h) On or after July 1, 2014, this section shall become inoperative if the categorical programs funded through the categorical block grant described in this section are instead included within, or funded by, the local control funding formula pursuant to Section 42238.02, as implemented by Section 42238.03.
- SEC. 85. Article 5 (commencing with Section 52060) is added to Chapter 6.1 of Part 28 of Division 4 of Title 2 of the Education Code, to read:

## Article 5. Local Control and Accountability Plans

52060. (a) The governing board of each school district shall adopt a local control and accountability plan using a template adopted by the state board.

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(b) A local control and accountability plan adopted by a governing board of a school district shall be effective for a period of at least one year but no longer than five years. If a governing board of a school district adopts a plan that would be effective for a period longer than one year, the governing board must approve an update to the existing plan at least annually.

- (c) On or before July 1 of each fiscal year, a governing board of a school district shall take action on a local control and accountability plan for the subsequent fiscal year, either by adopting a new local control and accountability plan or by approving an update to a plan the governing board of the school district has previously adopted.
- (d) A governing board of a school district shall update the local control and accountability plan if the governing board of the school district determines that changes in the composition of the base Academic Performance Index require the school district to take specific actions and use strategies that are not already included in the plan to meet the Academic Performance Index growth target for each school in the school district. If the governing board of the school district determines that an update is necessary, the governing board of the school district shall approve the update by November 1 of the year in which the new base Academic Performance Index is released.
- (e) A governing board of a school district shall demonstrate that a local control and accountability plan approved by the governing board of the school district was developed in consultation with teachers, principals, administrators, other school personnel, parents, and pupils.
- (f) A governing board of a school district shall ensure that a local control and accountability plan is consistent with all school plans submitted pursuant to Section 64001 by a school district for schools within the school district.
- (g) Before adopting a local control and accountability plan or approving an update to an existing plan, a governing board of a school district shall hold at least one public hearing to solicit recommendations and opinions of members of the public regarding specific actions and strategies that should be included in the plan. The agenda for the public hearing shall be posted at least 72 hours before the public hearing and shall include the location where the local control and accountability plan will be available for public

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inspection. This public hearing shall be held at the same meeting as the public hearing required by paragraph (1) of subdivision (a) of Section 42127.

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- (h) A governing board of a school district shall notify members of the public, using the most efficient method possible, of the opportunity to submit written recommendations and opinions regarding specific actions and strategies that should be included in the local control and accountability plan. This subdivision shall not be interpreted to require a school district to produce printed notices or to send notices by mail.
- (i) A governing board of a school district shall adopt a local control and accountability plan in a public meeting. This meeting shall be held after, but not on the same day as, the public hearing held pursuant to subdivision (g). This meeting shall be the same meeting during which the governing board of the school district considers a budget pursuant to paragraph (2) of subdivision (a) of Section 42127.
- (j) A governing board of a school district may adopt a revised local control and accountability plan if the governing board of the school district is required to adopt a revised budget. A revised local control and accountability plan shall be adopted at the same meeting that a revised budget is adopted.
- 52060.5. It is the intent of the Legislature to strengthen the accountability provisions proposed in this article in the following ways:
- (a) Ensure that supplemental funds generated by low income, English learner, and foster pupils are used to improve services to those pupils, and not to supplant existing resources dedicated to those pupils.
- (b) Provide authority of state entities, county entities, or both, to intervene in and support school districts that do not demonstrate improvements, across subgroups of pupils, toward achievement of common core academic content standards and other state standards and goals.
- (c) Rescind flexibility provisions for school districts that do not demonstrate improvements in outcomes across subgroups of pupils.
- (d) Ensure more robust data collections for purposes of state accountability systems and state and local oversight.

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(e) Ensure that the majority of funds allocated through any school funding formula are spent on services and programs with direct benefits to pupils.

- 52061. (a) Not later than five days after adoption of a local control and accountability plan or approval of an update to an existing plan pursuant to Section 52060, the governing board of a school district shall file the plan with the county superintendent of schools. The plan shall be filed on the same day that the governing board of the school district files the budget pursuant to paragraph (2) of subdivision (a) of Section 42127.
- (b) The county superintendent of schools shall do all of the following:
- (1) Examine if the plan adheres to the template adopted by the state board pursuant to Section 52066 and includes all of the components identified in subdivision (a) of Section 52064.
- (2) Determine if the budget for the subsequent fiscal year adopted by the governing board of the school district includes expenditures sufficient to implement the specific actions and strategies included in the local control and accountability plan adopted by the governing board of the school district, based on the projections of the costs included in the plan.
- (3) In making the determinations pursuant to paragraphs (1) and (2), consider input from teachers, principals, administrators, other school personnel, parents, and pupils from the school district.
- 52062. (a) Each county superintendent of schools shall develop, and each county board of education shall adopt, a local control and accountability plan using a template adopted by the state board.
- (b) A local control and accountability plan adopted by a county board of education shall be effective for a period of at least one year but no longer than five years. If a county board of education adopts a plan that would be effective for a period longer than one year, the county board of education must approve an update to the plan at least annually.
- (c) On or before July 1 of each fiscal year, a county board of education shall take action on a local control and accountability plan for the subsequent fiscal year, either by adopting a new local control and accountability plan or by approving an update to a plan the county board of education has previously adopted.

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(d) A county superintendent of schools shall update and present to the county board of education for approval the local control and accountability plan if the county board of education determines that changes in the composition of the base Academic Performance Index require the county superintendent of schools to take specific actions and use strategies that are not already included in the plan to meet the Academic Performance Index growth target for each school operated by the county superintendent of schools. If the county board of education determines that an update is necessary, the county board of education shall approve the update by November 1 of the year in which the base Academic Performance Index is released.

- (e) A county superintendent of schools shall demonstrate that a local control and accountability plan was developed in consultation with teachers, principals, administrators, other school personnel, parents, and pupils. A county superintendent of schools also shall demonstrate that the superintendents of all school districts in the county were consulted in the development of the plan.
- (f) A local control and accountability plan shall be consistent with all school plans submitted pursuant to Section 64001 by the county superintendent of schools for schools operated by the county superintendent of schools.
- (g) Before adopting a local control and accountability plan or approving an update to an existing plan, a county board of education shall hold at least one public hearing to solicit recommendations and opinions of members of the public regarding specific actions and strategies that should be included in the plan. The agenda for that hearing shall be posted at least 72 hours before the public hearing and shall include the location where the local control and accountability plan will be available for public inspection. The public hearing shall be held at the same meeting as the public hearing required by Section 1620.
- (h) A county board of education shall notify members of the public, using the most efficient method possible, of the opportunity to submit written recommendations and opinions regarding specific actions and strategies that should be included in the local control and accountability plan. This subdivision shall not be interpreted to require a county board of education to produce printed notices or to send notices by mail.

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(i) A county board of education shall adopt a local control and accountability plan in a public meeting. This meeting shall be held after, but not on the same day as, the public hearing held pursuant to subdivision (g). The meeting shall be the same meeting during which a county board of education considers a budget pursuant to Section 1620.

- (j) A county board of education may adopt a revised local control and accountability plan if the county board of education is required to adopt a revised budget. A revised local control and accountability plan shall be adopted at the same meeting that a revised budget is adopted.
- 52063. (a) No later than five days after adoption of a local control and accountability plan or approval of an update to an existing plan pursuant to Section 52062 by a county board of education, the county superintendent of schools shall file the plan with the Superintendent, the county board of supervisors, and the county auditor. The plan shall be filed on the same day that the county superintendent of schools files the budget pursuant to subdivision (a) of Section 1622.
  - (b) The Superintendent shall do all of the following:
- (1) Examine if the plan adheres to the template adopted by the state board pursuant to Section 52066 and includes all of the components identified in subdivision (a) of Section 52064.
- (2) Determine if the budget for the subsequent fiscal year adopted by the county board of education includes expenditures sufficient to implement the specific actions and strategies included in the local control and accountability plan adopted by the county board of education, based on the projections of the costs included in the plan.
- (3) In making the determinations pursuant to paragraphs (1) and (2), consider input from teachers, principals, administrators, other school personnel, parents, and pupils in the county.
- 52064. (a) A local control and accountability plan adopted by a governing board of a school district or a county board of education shall identify goals and describe the specific actions the school district or county superintendent of schools will take and strategies that will be used to achieve all of the following:
- 38 (1) Implement, for all pupils, the content standards adopted by 39 the state board pursuant to Sections 60605.8, 60605.10, and 40 60605.11.

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(2) Increase the Academic Performance Index for each school and for each numerically significant pupil subgroup pursuant to Section 52052 and reduce gaps in the Academic Performance Index and other measures of pupil achievement between numerically significant pupil subgroups.

- (3) Improve pupil achievement of the content standards adopted by the state board pursuant to Sections 60605, 60605.2, 60605.3, 60605.8, and 60605.85, at all grade levels, as evidenced by the results of statewide assessments pursuant to Article 4 (commencing with Section 60640) of Chapter 5 of Part 33, other statewide assessments, and appropriate local assessments.
- (4) Increase high school graduation rates, if a school district or a county superintendent of schools enrolls high school pupils, increase attendance rates, and reduce dropout rates.
- (5) Increase the percentage of pupils who have successfully completed each of the following:
- (A) Courses that satisfy the requirements for entrance to the University of California and the California State University.
  - (B) Advanced placement courses.

- (C) Career technical education programs.
- (6) Identify and address needs of pupils, and schools predominantly serving pupils, who meet any of the following definitions:
- (A) Pupils who have been classified as an English learner pursuant to Section 52164.
- (B) Pupils who qualify for the free and reduced-price meal program pursuant to Section 49552.
- (C) Foster children as defined in Sections 300 and 601 of the Welfare and Institutions Code.
- (D) Pupils enrolled in a juvenile court school operated by a county superintendent of schools pursuant to subdivision (a) of Section 48645.2, if applicable.
- (7) Remedy deficiencies in any school in the school district or any school operated by the county board of education and improve school conditions in any of the areas included in paragraphs (5), (6), and (8) of subdivision (b) of Section 33126. This includes ensuring access for each pupil to the following:
- (A) Sufficient textbooks and instructional materials.
- 39 (B) Safe, clean, and adequate school facilities.
- 40 (C) Qualified teachers.

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(8) Provide meaningful opportunities for parent involvement, including, at a minimum, supporting effective schoolsite councils or other structures at each school and advisory panels to the governing board of the school district or the county board of education or, if parents so choose, creating other processes or structures, such as creating the role of an ombudsman for parents, to address complaints and other issues raised by parents.

- (b) A local control and accountability plan developed by a county superintendent of schools and approved by a county board of education shall also include, in addition to the elements included in subdivision (a), goals related to addressing countywide needs, and describe specific actions and strategies to do all of the following:
- (1) Conduct effective oversight of school districts pursuant to Article 2 (commencing with Section 1240) of Chapter 2 of Part 2 of Division 1 of Title 1 and Chapter 6 (commencing with Section 42100) of Part 24 of Division 3 of Title 2.
- (2) Provide support to school districts in the county, including support related to school district operations, educational technology, and professional development, and guidance to school districts related to curriculum and instructional practices.
- (3) Coordinate instruction for expelled pupils pursuant to Section 48926.
- (c) A local control and accountability plan shall include an analysis of both the following:
- (1) Pupil achievement of those pupils enrolled in schools in a school district or schools operated by a county superintendent of schools at the time the plan is adopted by the governing board of the school district or the county board of education.
- (2) If a governing board of a school district or a county board of education previously has adopted a local control and accountability plan, progress made in implementing the goals identified in the plan in effect immediately before the adoption of a new plan by the governing board of the school district or the county board of education.
- (d) For purposes of conducting the analysis required by subdivision (c), a governing board of a school district or a county superintendent of schools may consider qualitative information, including reviews conducted by panels of experts during visits to

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schools in the school district or schools operated by the county office of education.

- (e) Data reported in a local control and accountability plan shall be consistent with information reported on school accountability report cards for schools in a school district or schools operated by a county superintendent of schools.
- (f) A local control and accountability plan shall include projections of the costs of implementing the specific actions and strategies included in the plan. Expenditures that reflect these cost projections shall be included in the budget adopted by the governing board of the school district pursuant to Section 42127.
- (g) A local control and accountability plan adopted by a governing board of a school district shall document all of the following:
- (1) For those fiscal years in which it is anticipated that the school district will receive less funding than is calculated under the local control funding formula pursuant to Section 42238.02, as implemented by Section 42238.03, a projection of the total funding required for the specific actions the school district will take and strategies that will be used to implement paragraph (6) of subdivision (a), divided by the average daily attendance of the pupils for whom any of the definitions included in paragraph (6) of subdivision (a) apply. This amount of funding shall not be less than the total expenditures from the sources included in paragraphs (1) to (3), inclusive, of subdivision (i) of Section 42238.02 during the 2013–14 fiscal year for services for pupils for whom any of the definitions included in paragraph (6) of subdivision (a) applied during the 2013–14 fiscal year, divided by the average daily attendance of these students during the 2013–14 fiscal year.
- (2) For those fiscal years in which it is anticipated that the school district will receive funding equal to or greater than the amount calculated under the local control funding formula pursuant to Section 42238.02, as implemented by Section 42238.03, a projection of the total funding required for the specific actions the school district will take and strategies that will be used to implement paragraph (6) of subdivision (a), divided by the average daily attendance of the pupils to whom any of the definitions included in paragraph (6) of subdivision (a) is applicable. This funding shall not be less than the supplemental grants the governing board of the school district projects receiving pursuant

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to subdivision (e) of Section 42238.02, divided by the average daily attendance of the pupils to whom any of the definitions included in paragraph (6) of subdivision (a) is applicable.

- (h) A local control and accountability plan adopted by a county board of education shall document all of the following:
- (1) For those fiscal years in which it is anticipated that the county office of education will receive less funding than is calculated under the county local control funding formula pursuant to Section 2574, a projection of the total funding required for the specific actions the county superintendent of schools will take and strategies that will be used to implement paragraph (6) of subdivision (a), divided by the average daily attendance of the pupils to whom any of the definitions included in paragraph (6) of subdivision (a) is applicable. This amount of funding shall not be less than the total expenditures from the sources included in paragraphs (1) and (2) of subdivision (e) of Section 2574 during the 2013–14 fiscal year for services for pupils to whom any of the definitions included in paragraph (6) of subdivision (a) applied during the 2013–14 fiscal year, divided by the average daily attendance of these pupils during the 2013–14 fiscal year.
- (2) For those fiscal years in which it is anticipated that the county office of education will receive funding equal to or greater than the amount calculated under the county local control funding formula pursuant to Section 2574, a projection of the total funding required for the specific actions the county superintendent of schools will take and strategies that will be used to implement paragraph (6) of subdivision (a), divided by the average daily attendance of the pupils to whom any of the definitions included in paragraph (6) of subdivision (a) is applicable. This funding shall not be less than the supplemental grants the county board of education projects receiving pursuant to subdivision (c) of Section 2574, divided by the average daily attendance of the pupils to whom any of the definitions included in paragraph (6) of subdivision (a) is applicable.
- (i) A local control and accountability plan shall account for the funds provided to charter schools that elect to receive funding through the school district or the county office of education pursuant to Section 47651.
- 52065. (a) The governing body of a charter school that elects to receive its funding directly, pursuant to Section 47651, shall

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adopt a local control and accountability plan using a template adopted by the state board.

- (b) Notwithstanding Section 52064, a local control and accountability plan adopted by the governing body of a charter school shall identify specific steps the charter school will take and strategies that will be used to accomplish the goals identified in the charter petition granted pursuant to Sections 47605, 47605.5, 47605.6, 47605.8, and 47606.
- (c) A local control and accountability plan adopted by a governing body of a charter school shall be effective for a period of at least one year but no longer than five years. If the governing body of the charter school adopts a plan that would be effective for a period longer than one year, the governing body of the charter school must approve an update to the existing plan at least annually.
- (d) On or before July 1 of each fiscal year, a governing body of a charter school shall take action on a local control and accountability plan for the subsequent fiscal year, either by adopting a new local control and accountability plan or by approving an update to a plan the charter school has previously adopted. The plan shall be submitted to the charter school's chartering authority and the county superintendent of schools, or only to the county superintendent of schools if the county board of education is the chartering authority, on the same day that the charter school submits its preliminary budget pursuant to paragraph (1) of subdivision (a) of Section 47604.33.
- 52066. (a) The state board shall adopt a template for use by school districts and a separate template for use by county superintendents of schools that includes the elements identified in Section 52064.
- (b) The state board shall also adopt a template for use by charter schools to satisfy the requirements of Section 52065.
- (c) The templates developed by the state board shall allow a school district, county superintendent of schools, or charter school to complete a single local control and accountability plan to meet the requirements of this article and the requirements of the federal Elementary and Secondary Act related to local educational agency plans pursuant to Section 1112 of Subpart 1 of Part A of Title I of
- 38 plans pursuant to Section 1112 of Subpart 1 of Part A of Title I of 39 Public Law 107-110. The state board shall also take steps to

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1 minimize duplication of effort at the local level to the greatest
2 extent possible.
3 (d) If possible, the template identified in subdivision (a) for use

- (d) If possible, the template identified in subdivision (a) for use by county superintendents of schools shall allow a county superintendent of schools to develop a single local control and accountability plan that would also satisfy the requirements of Section 48926.
- (e) The state board shall approve the templates identified in subdivisions (a) and (b) by January 30, 2015. Revisions to the templates shall be approved by the state board by January 1 before the fiscal year during which a template is to be used by a school district, county superintendent of schools, or charter school.
- (f) The adoption of a template by the state board shall not create a requirement for a governing board of a school district, a county board of education, or a governing body of a charter school to submit a local control and accountability plan to the state board, unless otherwise required by federal law. The Superintendent shall not require a local control and accountability plan to be submitted by a governing board of a school district or the governing body of a charter school. The state board may adopt a template that would authorize a school district or a charter school to submit to the state board only the sections of the local control and accountability plan required by federal law.
- (g) The state board may adopt emergency regulations for purposes of implementing this section.
  - 52067. This article shall become operative on July 1, 2014.
- SEC. 86. If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.
- SECTION 1. It is the intent of the Legislature to enact statutory changes relating to the Budget Act of 2013.